

# Grand Forks County

Grand Forks, North Dakota

## Audit Report

For the Year Ended December 31, 2017

**JOSHUA C. GALLION**  
**STATE AUDITOR**

Office of the State Auditor  
Division of Local Government

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GRAND FORKS COUNTY  
Grand Forks, North Dakota

TABLE OF CONTENTS  
For the Year Ended December 31, 2017

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|  | <u>Page(s)</u> |
|--|----------------|
| County Officials   | 1              |
| Independent Auditor's Report   | 2 - 3          |
| <b>BASIC FINANCIAL STATEMENTS</b>  |                |
| Statement of Net Position  | 4              |
| Statement of Activities  | 5              |
| Balance Sheet - Governmental Funds   | 6              |
| Reconciliation of Governmental Funds Balance Sheet to<br>the Statement of Net Position   | 7              |
| Statement of Revenues, Expenditures and Changes in Fund<br>Balances - Governmental Funds   | 8              |
| Reconciliation of the Governmental Funds Statement of Revenues,<br>Expenditures, and Changes in Fund Balances to the<br>Statement of Activities  | 9              |
| Statement of Fiduciary Assets and Liabilities  | 10             |
| Notes to the Financial Statements  | 11 - 37        |
| <b>REQUIRED SUPPLEMENTARY INFORMATION</b>  |                |
| Budgetary Comparison Schedules   |                |
| General Fund   | 38             |
| Farm to Market Road Fund   | 39             |
| Highway Tax Distribution Fund  | 40             |
| Social Services Fund   | 41             |
| Emergency Fund   | 42             |
| Pension and OPEB Schedules   | 43 - 45        |
| Notes to Required Supplementary Information  | 46 - 47        |
| <b>SUPPLEMENTARY INFORMATION</b>   |                |
| Combining Balance Sheet - Non-major Governmental Funds   | 48             |
| Combining Statement of Revenues, Expenditures and Changes<br>in Fund Balances - Non-major Governmental Funds   | 49             |
| Schedule of Fund Activity  | 50 - 51        |
| Schedule of Expenditures of Federal Awards   | 52             |
| Notes to the Schedule of Expenditures of Federal Awards  | 53             |
| Report on Internal Control over Financial Reporting and on Compliance<br>and Other Matters Based on an Audit of Financial Statements<br>Performed in Accordance with Government Auditing Standards | 54 - 55        |
| Report on Compliance for Each Major Federal Program; Report on<br>Internal Control Over Compliance; and Report on Schedule<br>of Expenditures of Federal Awards Required by Uniform Guidance       | 56 - 57        |
| Schedule of Findings and Questioned Costs  | 58             |

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GRAND FORKS COUNTY  
Grand Forks, North Dakota

December 31, 2017

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**COUNTY OFFICIALS**

|                  |                                 |
|------------------|---------------------------------|
| Cynthia Pic      | Commissioner - Chairperson      |
| Thomas Falck Jr. | Commissioner - Vice-Chairperson |
| David Engen      | Commissioner                    |
| Diane Knauf      | Commissioner                    |
| Gary Malm        | 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       |

**AUDITOR PERSONNEL**

|                |               |
|----------------|---------------|
| Dave Mix       | Audit Manager |
| Heath Erickson | In-Charge     |



STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
STATE CAPITOL  
600 E. BOULEVARD AVENUE - DEPT. 117  
BISMARCK, NORTH DAKOTA 58505

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## INDEPENDENT AUDITOR'S REPORT

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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, 2017, 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, 2017 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.

## GRAND FORKS COUNTY

### Independent Auditor's Report - Continued

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#### Emphasis of a Matter

As discussed in Note 21 to the financial statements, Grand Forks County adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefit Plans Other Than Pensions. Our opinion is not modified with respect to this matter.

#### 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 & OPEB schedules, and the notes to the required supplementary information* on pages 38-47 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 *combining balance sheet non-major governmental funds, combining statement of revenues, expenditures and changes in fund balances non-major governmental funds, 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 *combining balance sheet non-major governmental funds, combining statement of revenues, expenditures and changes in fund balances non-major governmental funds, 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 June 20, 2018 on our consideration of Grand Forks County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Grand Forks County's internal control over financial reporting and compliance.

/s/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
June 20, 2018

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GRAND FORKS COUNTY  
Grand Forks, North Dakota  
STATEMENT OF NET POSITION  
December 31, 2017

|   | Primary<br>Government<br>Governmental<br>Activities | Component Units<br>Water Resource<br>District | Fair<br>Association |
|---|---|---|---------------------|
| <b>ASSETS:</b>                                  |   |   |                     |
| Cash and investments                            | \$ 22,555,249.77                                    | 4,340,608.00                                  | 87,046.00           |
| Accounts receivable                             | 245,308.09  | -   | -                   |
| Interest receivable                             | 17,412.82   | 2,881.00                                      | -                   |
| Intergovernmental receivable                    | 1,117,979.74  | -   | -                   |
| Special assessments receivable                  | -   | 1,018,107.00                                  | -                   |
| Other receivable                                | -   | 26,024.00                                     | 4,028.00            |
| Prepaid Expense                                 | -   | -   | 1,675.00            |
| Taxes receivable                                | 399,915.97  | 21,264.00                                     | -                   |
| Unamortized Bond Discount                       | -   | 8,245.00                                      | -                   |
| Long-Term Asset:                                |   |   |                     |
| Capital Assets not being depreciated:           |   |   |                     |
| Land  | 505,895.00  | 551,814.00                                    | 85,420.00           |
| Capital Assets net of accumulated depreciation: |   |   |                     |
| Infrastructure                                  | 50,088,108.88                                       | -   | -                   |
| Buildings                                       | 29,601,649.00                                       | -   | -                   |
| Leasehold improvements                          | -   | -   | 327,830.00          |
| Land Improvements                               | -   | 1,524,272.00                                  | -                   |
| Office equipment                                | -   | 991.00  | -                   |
| Equipment                                       | 2,388,229.91  | -   | 30,019.00           |
| Vehicles and equipment                          | -   | 255,797.00                                    | -                   |
| Furniture                                       | 71,418.56   | -   | -                   |
| Vehicles  | 699,693.43  | -   | -                   |
| Total Capital Assets                            | \$ 83,354,994.78                                    | 2,332,874.00                                  | 443,269.00          |
| Total Assets                                    | \$ 107,690,861.17                                   | 7,750,003.00                                  | 536,018.00          |
| <b>DEFERRED OUTFLOW OF RESOURCES:</b>           |   |   |                     |
| Pension and OPEB Items                          | \$ 11,129,154.00                                    | 26,219.00                                     | -                   |
| <b>LIABILITIES:</b>                             |   |   |                     |
| Accounts payable and accrued expenses           | \$ 214,050.90                                       | -   | 200.00              |
| Payroll withholdings                            | -   | 1,098.00                                      | 688.00              |
| Salaries payable                                | 14,149.25   | -   | -                   |
| Sales tax payable                               | 641.19  | -   | -                   |
| Due to other governments                        | -   | 3,470.00                                      | -                   |
| Interest payable                                | 39,184.58   | 2,853.00                                      | 796.00              |
| Grants received in advance                      | -   | 91,582.00                                     | -                   |
| Long-Term Liabilities:                          |   |   |                     |
| Due Within One Year:                            |   |   |                     |
| Special assessments payable                     | -   | -   | 422.00              |
| Loans payable                                   | -   | -   | 7,992.00            |
| Bonds payable                                   | 1,940,000.00  | 85,000.00                                     | -                   |
| Bond premium-unamortized                        | 32,086.61   | -   | -                   |
| Compensated absences payable                    | 167,671.19  | -   | -                   |
| Due After One Year:                             |   |   |                     |
| Special assessments payable                     | -   | -   | 1,635.00            |
| Loans payable                                   | -   | -   | 44,244.00           |
| Bonds payable                                   | 9,125,000.00  | 975,000.00                                    | -                   |
| Bond premium-unamortized                        | 191,499.74  | -   | -                   |
| Compensated absences payable                    | 1,509,040.72  | -   | -                   |
| Net Pension and OPEB Liability                  | 24,923,236.00                                       | 57,237.00                                     | -                   |
| Total Liabilities                               | \$ 38,156,560.18                                    | 1,216,240.00                                  | 55,977.00           |
| <b>DEFERRED INFLOW OF RESOURCES:</b>            |   |   |                     |
| Taxes received in advance                       | \$ 3,712,486.21                                     | -   | -                   |
| Pension and OPEB Items                          | 995,468.00  | 17,126.00                                     | -                   |
| Total Deferred Inflow of Resources              | \$ 4,707,954.21                                     | 17,126.00                                     | -                   |
| <b>NET POSITION:</b>                            |   |   |                     |
| Net Investment in Capital Assets                | \$ 72,066,408.43                                    | 1,281,119.00                                  | 391,033.00          |
| Restricted for:                                 |   |   |                     |
| Debt service                                    | 285,203.42  | 108,686.00                                    | -                   |
| Capital projects                                | 121,754.70  | -   | -                   |
| Highways and bridges                            | 1,453,469.73  | -   | -                   |
| Flood repair                                    | 19,351.35   | -   | -                   |
| Culture and recreation                          | 60,196.47   | -   | -                   |
| Conservation of natural resources               | 270,724.76  | -   | -                   |
| Emergency                                       | 1,060,028.86  | -   | -                   |
| Drain maintenance                               | -   | 1,582,005.00                                  | -                   |
| Unrestricted                                    | 618,363.06  | 3,571,046.00                                  | 89,008.00           |
| Total Net Position                              | \$ 75,955,500.78                                    | 6,542,856.00                                  | 480,041.00          |

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, 2017

|   |                  | Program Revenues  |  |  | Net (Expense) Revenue and<br>Changes in Net Position |                               |                     |  |
|---|------------------|---|--|--|--|-------------------------------|---------------------|--|
|   |                  | Fees, Fines,<br>Forfeits and<br>Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Primary<br>Government                                | Component Units               |                     |  |
| Functions/Programs                          | Expenses         |   |  |  | Governmental<br>Activities                           | Water<br>Resource<br>District | Fair<br>Association |  |
| <u>Primary Government:</u>                  |                  |   |  |  |  |                               |                     |  |
| <u>Governmental Activities:</u>             |                  |   |  |  |  |                               |                     |  |
| General government                          | \$ 8,532,629.27  | \$ 1,056,753.49   | \$ 764,477.35                            | \$ -                                   | \$ (6,711,398.43)                                    | \$ -                          | \$ -                |  |
| Public safety                               | 12,875,981.16    | 2,890,277.86  | 186,196.30                               | -                                      | (9,799,507.00)                                       | -                             | -                   |  |
| Highways and bridges                        | 5,735,981.64     | 433,912.73  | 3,695,359.48                             | 4,199,719.16                           | 2,593,009.73   | -                             | -                   |  |
| Health and welfare                          | 8,462,333.63     | -   | 2,164,412.30                             | -                                      | (6,297,921.33)                                       | -                             | -                   |  |
| Conser. of natural resources                | 794,111.86       | 20,979.53   | 61,849.69                                | -                                      | (711,282.64)   | -                             | -                   |  |
| Economic development                        | 159,283.45       | -   | 37,865.93                                | -                                      | (121,417.52)   | -                             | -                   |  |
| Other                                       | 16,675.51        | -   | -  | -                                      | (16,675.51)  | -                             | -                   |  |
| Interest on long-term debt                  | 346,054.99       | -   | -  | -                                      | (346,054.99)   | -                             | -                   |  |
| Fiscal agent charges                        | 7,021.77         | -   | -  | -                                      | (7,021.77)   | -                             | -                   |  |
| Total Primary Government                    | \$ 36,930,073.28 | \$ 4,401,923.61   | \$ 6,910,161.05                          | \$ 4,199,719.16                        | \$ (21,418,269.46)                                   | \$ -                          | \$ -                |  |
| <u>Component Units:</u>                     |                  |   |  |  |  |                               |                     |  |
| Water resource district                     | \$ 983,180.00    | \$ 287,591.00   | \$ -                                     | \$ -                                   | \$ -   | \$ (695,589.00)               | \$ -                |  |
| Fair association                            | 283,021.94       | 134,077.14  | -  | -                                      | -  | -                             | (148,944.80)        |  |
| Total Component Units                       | \$ 1,266,201.94  | \$ 421,668.14   | \$ -                                     | \$ -                                   | \$ -   | \$ (695,589.00)               | \$ (148,944.80)     |  |
| <u>General Revenues:</u>                    |                  |   |  |  |  |                               |                     |  |
| <u>Property Taxes:</u>                      |                  |   |  |  |  |                               |                     |  |
| Property taxes; levied for general purposes |                  |   |  |  | \$ 13,120,087.89                                     | \$ 813,017.00                 | \$ 102,315.53       |  |
| Property taxes; levied for special purposes |                  |   |  |  | 8,718,410.22   | 251,584.00                    | -                   |  |
| Property taxes; levied for debt service     |                  |   |  |  | 1,705,584.59   | -                             | -                   |  |
| Special assessments interest                |                  |   |  |  | -  | 46,148.00                     | -                   |  |
| Special Assessments - write off             |                  |   |  |  | -  | (59,751.00)                   | -                   |  |
| Non Restricted Grants and Contributions     |                  |   |  |  | 2,846,702.80   | -                             | -                   |  |
| Interest Income                             |                  |   |  |  | 98,614.82  | 19,940.00                     | -                   |  |
| Miscellaneous Revenue                       |                  |   |  |  | 868,424.73   | 18,258.00                     | 19,584.27           |  |
| Total General Revenues                      |                  |   |  |  | \$ 27,357,825.05                                     | \$ 1,089,196.00               | \$ 121,899.80       |  |
| Change in Net Position                      |                  |   |  |  | \$ 5,939,555.59                                      | \$ 393,607.00                 | \$ (27,045.00)      |  |
| Net Position - January 1                    |                  |   |  |  | \$ 71,126,156.19                                     | \$ 6,149,249.00               | \$ 507,086.00       |  |
| Prior Period Adjustments                    |                  |   |  |  | (1,110,211.00)                                       | -                             | -                   |  |
| Net Position - January 1, as restated       |                  |   |  |  | \$ 70,015,945.19                                     | \$ 6,149,249.00               | \$ 507,086.00       |  |
| Net Position - December 31                  |                  |   |  |  | \$ 75,955,500.78                                     | \$ 6,542,856.00               | \$ 480,041.00       |  |

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, 2017

|   | General                 | Social<br>Services   | Road &<br>Bridge       | Highway<br>Tax<br>Distribution | Emergency<br>Fund      | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|-------------------------|----------------------|------------------------|--------------------------------|------------------------|--------------------------------|--------------------------------|
| <b>ASSETS AND DEFERRED</b>                    |                         |                      |                        |                                |                        |                                |                                |
| <b>OUTFLOWS OF RESOURCES</b>                  |                         |                      |                        |                                |                        |                                |                                |
| <b>Assets:</b>                                |                         |                      |                        |                                |                        |                                |                                |
| Cash and investments                          | \$ 14,971,126.64        | \$ 500,000.00        | \$ 1,994,434.33        | \$ 1,091,265.44                | \$ 1,220,335.68        | \$ 2,778,087.68                | \$ 22,555,249.77               |
| Accounts receivable                           | 245,308.09              | -                    | -                      | -                              | -                      | -                              | 245,308.09                     |
| Intergovernmental receivable                  | 500,906.04              | 199,538.56           | 36,121.75              | 327,134.15                     | 1,335.86               | 52,943.38                      | 1,117,979.74                   |
| Interest Receivable                           | 17,412.82               | -                    | -                      | -                              | -                      | -                              | 17,412.82                      |
| Taxes receivable                              | 222,764.71              | 92,112.03            | 37,121.28              | -                              | 1,389.29               | 46,528.66                      | 399,915.97                     |
| <b>Total Assets</b>                           | <b>\$ 15,957,518.30</b> | <b>\$ 791,650.59</b> | <b>\$ 2,067,677.36</b> | <b>\$ 1,418,399.59</b>         | <b>\$ 1,223,060.83</b> | <b>\$ 2,877,559.72</b>         | <b>\$ 24,335,866.39</b>        |
| <b>LIABILITIES, DEFERRED INFLOWS OF</b>       |                         |                      |                        |                                |                        |                                |                                |
| <b>RESOURCES AND FUND BALANCES</b>            |                         |                      |                        |                                |                        |                                |                                |
| <b>Liabilities:</b>                           |                         |                      |                        |                                |                        |                                |                                |
| Accounts payable                              | \$ 173,447.20           | \$ 11,531.29         | \$ -                   | \$ 19,521.91                   | \$ -                   | \$ 9,550.50                    | \$ 214,050.90                  |
| Sales tax payable                             | 641.19                  | -                    | -                      | -                              | -                      | -                              | 641.19                         |
| Salaries payable                              | 13,970.75               | 178.50               | -                      | -                              | -                      | -                              | 14,149.25                      |
| <b>Total Liabilities</b>                      | <b>\$ 188,059.14</b>    | <b>\$ 11,709.79</b>  | <b>\$ -</b>            | <b>\$ 19,521.91</b>            | <b>\$ -</b>            | <b>\$ 9,550.50</b>             | <b>\$ 228,841.34</b>           |
| <b>Deferred Inflows of Resources:</b>         |                         |                      |                        |                                |                        |                                |                                |
| Taxes receivable                              | \$ 222,764.71           | \$ 92,112.03         | \$ 37,121.28           | \$ -                           | \$ 1,389.29            | \$ 46,528.66                   | \$ 399,915.97                  |
| Taxes received in advance                     | 2,726,665.20            | -                    | 401,572.56             | -                              | 14,851.85              | 569,396.60                     | 3,712,486.21                   |
| <b>Total Deferred Inflows of Resources</b>    | <b>\$ 2,949,429.91</b>  | <b>\$ 92,112.03</b>  | <b>\$ 438,693.84</b>   | <b>\$ -</b>                    | <b>\$ 16,241.14</b>    | <b>\$ 615,925.26</b>           | <b>\$ 4,112,402.18</b>         |
| <b>Fund Balances:</b>                         |                         |                      |                        |                                |                        |                                |                                |
| <b>Committed For:</b>                         |                         |                      |                        |                                |                        |                                |                                |
| Park related projects                         | \$ -                    | \$ -                 | \$ -                   | \$ -                           | \$ -                   | \$ 60,196.47                   | \$ 60,196.47                   |
| County improvements                           | -                       | -                    | -                      | -                              | -                      | 951,683.51                     | 951,683.51                     |
| <b>Restricted For:</b>                        |                         |                      |                        |                                |                        |                                |                                |
| General Government                            | -                       | -                    | -                      | -                              | -                      | 142,433.34                     | 142,433.34                     |
| Public safety                                 | -                       | -                    | -                      | -                              | -                      | 169,552.92                     | 169,552.92                     |
| Highways and bridges                          | -                       | -                    | 1,628,983.52           | 1,398,877.68                   | -                      | -                              | 3,027,861.20                   |
| Flood repair                                  | -                       | -                    | -                      | -                              | -                      | 19,351.35                      | 19,351.35                      |
| Health and welfare                            | -                       | 687,828.77           | -                      | -                              | -                      | 141,002.58                     | 828,831.35                     |
| Conservation of natural resources             | -                       | -                    | -                      | -                              | -                      | 351,053.43                     | 351,053.43                     |
| Emergency                                     | -                       | -                    | -                      | -                              | 1,206,819.69           | -                              | 1,206,819.69                   |
| Debt service                                  | -                       | -                    | -                      | -                              | -                      | 295,055.66                     | 295,055.66                     |
| Capital projects                              | -                       | -                    | -                      | -                              | -                      | 121,754.70                     | 121,754.70                     |
| Unassigned                                    | 12,820,029.25           | -                    | -                      | -                              | -                      | -                              | 12,820,029.25                  |
| <b>Total Fund Balances</b>                    | <b>\$ 12,820,029.25</b> | <b>\$ 687,828.77</b> | <b>\$ 1,628,983.52</b> | <b>\$ 1,398,877.68</b>         | <b>\$ 1,206,819.69</b> | <b>\$ 2,252,083.96</b>         | <b>\$ 19,994,622.87</b>        |
| <b>Total Liabilities, Deferred Inflows of</b> |                         |                      |                        |                                |                        |                                |                                |
| <b>Resources and Fund Balances</b>            | <b>\$ 15,957,518.30</b> | <b>\$ 791,650.59</b> | <b>\$ 2,067,677.36</b> | <b>\$ 1,418,399.59</b>         | <b>\$ 1,223,060.83</b> | <b>\$ 2,877,559.72</b>         | <b>\$ 24,335,866.39</b>        |

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



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GRAND FORKS COUNTY  
Grand Forks, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
December 31, 2017

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Total *Fund Balances* of Governmental Funds \$ 19,994,622.87

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         | \$ 128,428,362.23      |               |
| Less: Accumulated Depreciation | <u>(45,073,367.45)</u> | 83,354,994.78 |

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. 399,915.97

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 and OPEB | \$ 11,129,153.57    |               |
| Deferred Inflows Related to Pensions and OPEB  | <u>(995,468.00)</u> | 10,133,685.57 |

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, 2017 are:

|                                  |                        |                        |
|----------------------------------|------------------------|------------------------|
| General Obligation Bonds Payable | \$ (11,065,000.00)     |                        |
| Interest Payable                 | (39,184.58)            |                        |
| Bond Premium-Unamortized Balance | (223,586.35)           |                        |
| Compensated Absences             | (1,676,711.91)         |                        |
| Net Pension and OPEB Liability   | <u>(24,923,236.00)</u> | <u>(37,927,718.84)</u> |

|   |  |                         |
|---|--|-------------------------|
| Total Net Position of Governmental Activities |  | <u>\$ 75,955,500.35</u> |
|---|--|-------------------------|

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, 2017

|  | General                 | Social<br>Services     | County<br>Road<br>& Bridge | Highway<br>Tax<br>Distribution | Emergency<br>Fund      | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-------------------------|------------------------|----------------------------|--------------------------------|------------------------|--------------------------------|--------------------------------|
| <b>Revenues:</b>   |                         |                        |                            |                                |                        |                                |                                |
| Property taxes   | \$ 13,088,932.60        | \$ 5,502,220.43        | \$ 2,192,866.27            | \$ -                           | \$ 69,740.02           | \$ 2,657,395.41                | \$ 23,511,154.73               |
| Licenses, permits and fees                                   | 90,561.25               | -                      | -                          | -                              | -                      | -                              | 90,561.25                      |
| Intergovernmental  | 3,655,015.10            | 1,981,894.44           | 1,921,236.46               | 3,031,023.23                   | 6,905.77               | 262,329.05                     | 10,858,404.05                  |
| Charges for services   | 3,744,911.73            | -                      | -                          | 433,912.73                     | -                      | 132,537.90                     | 4,311,362.36                   |
| Interest income  | 98,072.65               | -                      | -                          | -                              | -                      | 542.17                         | 98,614.82                      |
| Miscellaneous  | 390,261.63              | -                      | -                          | 32,965.32                      | -                      | 445,197.35                     | 868,424.30                     |
| <b>Total Revenues</b>  | <b>\$ 21,067,754.96</b> | <b>\$ 7,484,114.87</b> | <b>\$ 4,114,102.73</b>     | <b>\$ 3,497,901.28</b>         | <b>\$ 76,645.79</b>    | <b>\$ 3,498,001.88</b>         | <b>\$ 39,738,521.51</b>        |
| <b>Expenditures:</b>   |                         |                        |                            |                                |                        |                                |                                |
| <b>Current:</b>  |                         |                        |                            |                                |                        |                                |                                |
| General Government   | \$ 6,826,981.00         | \$ -                   | \$ -                       | \$ -                           | \$ -                   | \$ 306,836.02                  | \$ 7,133,817.02                |
| Public safety  | 11,845,480.35           | -                      | -                          | -                              | -                      | 55,702.88                      | 11,901,183.23                  |
| Highways and bridges   | -                       | -                      | 3,619,381.33               | 3,313,911.12                   | -                      | -                              | 6,933,292.45                   |
| Health and welfare   | -                       | 7,849,221.71           | -                          | -                              | -                      | 12,308.98                      | 7,861,530.69                   |
| Conserv. of natural resources                                | -                       | -                      | -                          | -                              | -                      | 778,697.34                     | 778,697.34                     |
| Economic development   | 159,283.45              | -                      | -                          | -                              | -                      | -                              | 159,283.45                     |
| Capital Outlay   | 346,033.36              | -                      | -                          | -                              | -                      | 73,815.45                      | 419,848.81                     |
| <b>Debt Service:</b>   |                         |                        |                            |                                |                        |                                |                                |
| Principal  | -                       | -                      | 170,219.08                 | -                              | -                      | 1,885,097.51                   | 2,055,316.59                   |
| Interest   | -                       | -                      | 47,196.62                  | -                              | -                      | 361,916.98                     | 409,113.60                     |
| Fiscal agent charges   | -                       | -                      | -                          | -                              | -                      | 7,021.77                       | 7,021.77                       |
| <b>Total Expenditures</b>                                    | <b>\$ 19,177,778.16</b> | <b>\$ 7,849,221.71</b> | <b>\$ 3,836,797.03</b>     | <b>\$ 3,313,911.12</b>         | <b>\$ -</b>            | <b>\$ 3,481,396.93</b>         | <b>\$ 37,659,104.95</b>        |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | <b>\$ 1,889,976.80</b>  | <b>\$ (365,106.84)</b> | <b>\$ 277,305.70</b>       | <b>\$ 183,990.16</b>           | <b>\$ 76,645.79</b>    | <b>\$ 16,604.95</b>            | <b>\$ 2,079,416.56</b>         |
| <b>Other Financing Sources (Uses):</b>                       |                         |                        |                            |                                |                        |                                |                                |
| Transfers in   | \$ 582.30               | \$ -                   | \$ -                       | \$ -                           | \$ -                   | \$ 1,567,973.30                | \$ 1,568,555.60                |
| Transfers out  | (2,065.99)              | (582.30)               | -                          | -                              | -                      | (1,565,907.31)                 | (1,568,555.60)                 |
| <b>Total Other Financing Sources<br/>and Uses</b>            | <b>\$ (1,483.69)</b>    | <b>\$ (582.30)</b>     | <b>\$ -</b>                | <b>\$ -</b>                    | <b>\$ -</b>            | <b>\$ 2,065.99</b>             | <b>\$ -</b>                    |
| <b>Net Change in Fund Balances</b>                           | <b>\$ 1,888,493.11</b>  | <b>\$ (365,689.14)</b> | <b>\$ 277,305.70</b>       | <b>\$ 183,990.16</b>           | <b>\$ 76,645.79</b>    | <b>\$ 18,670.94</b>            | <b>\$ 2,079,416.56</b>         |
| <b>Fund Balance - January 1</b>                              | <b>\$ 10,931,536.14</b> | <b>\$ 1,053,517.91</b> | <b>\$ 1,351,677.82</b>     | <b>\$ 1,214,887.52</b>         | <b>\$ 1,130,173.90</b> | <b>\$ 2,233,413.02</b>         | <b>\$ 17,915,206.31</b>        |
| <b>Fund Balance - December 31</b>                            | <b>\$ 12,820,029.25</b> | <b>\$ 687,828.77</b>   | <b>\$ 1,628,983.52</b>     | <b>\$ 1,398,877.68</b>         | <b>\$ 1,206,819.69</b> | <b>\$ 2,252,083.96</b>         | <b>\$ 19,994,622.87</b>        |

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

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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, 2017

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Net Change in *Fund Balances* - Total Governmental Funds \$ 2,079,416.56

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 and capital contribution exceeded depreciation in the current year.

|                                   |                       |              |
|-----------------------------------|-----------------------|--------------|
| Current Year Capital Outlay       | \$ 987,931.16         |              |
| Current Year Capital Contribution | 4,199,719.16          |              |
| Current Year Depreciation Expense | <u>(3,080,362.58)</u> | 2,107,287.74 |

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 | (42,993.18) |
|-------------------------------------|-------------|

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 proceeds.

|   |                   |              |
|---|-------------------|--------------|
| Issuance of Debt - Special Assessments  | \$ (97.51)        |              |
| Defeasement of Loan Balance             | 1,561,056.55      |              |
| Repayment of Debt - Bonds               | 1,885,000.00      |              |
| Repayment of Debt - Special Assessments | 97.51             |              |
| Repayment of Debt - Capital Lease       | <u>170,219.08</u> | 3,616,275.63 |

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

|                      |           |
|----------------------|-----------|
| Premium Amortization | 54,076.58 |
|----------------------|-----------|

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 | \$ (23,811.41)  |             |
| Decrease in Interest Payable     | <u>8,982.03</u> | (14,829.38) |

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 and OPEB                              | \$ (9,492,201.99) |                |
| Increase in Deferred Outflows of Resources Related to Pensions and OPEB | 7,213,732.23      |                |
| Decrease in Deferred Inflows of Resources Related to Pensions and OPEB  | <u>385,863.00</u> | (1,892,606.76) |

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.

|   |                        |
|---|------------------------|
| Change in Net Position of Governmental Activities | <u>\$ 5,939,555.16</u> |
|---|------------------------|

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

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GRAND FORKS COUNTY  
Grand Forks, North Dakota

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
December 31, 2017

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|                                   | Agency<br>Funds      |
|-----------------------------------|----------------------|
| <u>Assets:</u>                    |                      |
| Cash and investments              | <u>\$ 15,006,651</u> |
| <u>Liabilities:</u>               |                      |
| Due to other governments/entities | <u>\$ 15,006,651</u> |

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

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GRAND FORKS COUNTY  
Grand Forks, North Dakota

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2017

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|  |
|--|
| 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

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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. 4<sup>th</sup> 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.

*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.

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**

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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:

| <b>Assets</b>           | <b>Years</b> |
|-------------------------|--------------|
| 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:

| <b>Assets</b>          | <b>Years</b> |
|------------------------|--------------|
| Equipment              | 5 - 10       |
| Leasehold Improvements | 20           |

---



**F. Compensated Absences**

Vacation leave is earned at the rate of one to two days per month depending on years of service. Up to 240 hours of vacation leave may be carried over. Sick leave benefits are earned at the rate of one day per month regardless of 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:

| <b>Years of Service</b> | <b>Hours per Month</b> |
|-------------------------|------------------------|
| 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. Other Post-Employment Benefits (OPEB)**

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

**J. Fund Balances / Net Position****Fund Balance**

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.

## GRAND FORKS COUNTY

### Notes to the Financial Statements – Continued

#### 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.

#### 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.

| <b>CLASSIFICATION</b> | <b>DEFINITION</b>   | <b>EXAMPLES</b>   |
|-----------------------|---|---|
| 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<br>(a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments.<br>(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.<br>(a) The General Fund is the only fund that can report a positive unassigned fund balance.<br>(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

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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, 2017.

#### Restricted Fund Balances – consist of the following items at December 31, 2017

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 3<sup>rd</sup> 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 (\$951,684).

#### **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.

#### **K. 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.

|                         |
|-------------------------|
| <b>NOTE 2: DEPOSITS</b> |
|-------------------------|

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

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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, 2017, the Grand Forks County's carrying amount of deposits was \$34,114,790, and the bank balances of deposits totaled \$35,391,713. Of the bank balances \$9,288,802 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, 2017, the Grand Forks Water Resource District's carrying amount of deposits was \$4,341,764 and the bank balances of deposits totaled \$4,447,392. Of the bank balances, \$600,005 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, 2017, the Grand Forks Fair Board's carrying amount of deposits was \$87,046, and bank deposits totaled \$89,309, 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, 2017, the County had certificates of deposit totaling \$1,979,000 and the water resource district had certificates of deposit totaling \$1,279,506.

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.

|                                    |
|------------------------------------|
| <b>NOTE 3: ACCOUNTS RECEIVABLE</b> |
|------------------------------------|

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****Primary Government**

The following is a summary of changes in capital assets for the year ended December 31, 2017:

| <b>Governmental Activities - County</b>              | <b>Balance<br/>Jan 1 (Restated)</b> | <b>Increases</b>       | <b>Decreases</b>       | <b>Balance<br/>December 31</b> |
|--|-------------------------------------|------------------------|------------------------|--------------------------------|
| <i>Capital assets not being depreciated:</i>         |                                     |                        |                        |                                |
| Land   | \$ 505,895.00                       | \$ -                   | \$ -                   | \$ 505,895.00                  |
| <i>Capital assets, being depreciated:</i>            |                                     |                        |                        |                                |
| Buildings  | \$ 46,710,578.53                    | \$ 70,651.42           | \$ -                   | \$ 46,781,229.95               |
| Equipment  | 8,177,731.64                        | 383,691.82             | 2,900,979.00           | 5,660,444.46                   |
| Furniture  | 874,316.73                          | 34,702.61              | -                      | 909,019.34                     |
| Vehicles   | 2,826,690.40                        | 360,705.00             | 80,806.45              | 3,106,588.95                   |
| Infrastructure                                       | 67,127,285.06                       | 4,337,899.47           | -                      | 71,465,184.53                  |
| <b>Total Capital Assets, Being Depreciated</b>       | <b>\$ 125,716,602.36</b>            | <b>\$ 5,187,650.32</b> | <b>\$ 2,981,785.45</b> | <b>\$ 127,922,467.23</b>       |
| <i>Less accumulated depreciation for:</i>            |                                     |                        |                        |                                |
| Buildings  | \$ 16,193,418.38                    | \$ 986,162.57          | \$ -                   | \$ 17,179,580.95               |
| Equipment  | 5,704,702.53                        | 427,750.66             | 2,860,238.64           | 3,272,214.55                   |
| Furniture  | 820,360.58                          | 17,240.20              | -                      | 837,600.78                     |
| Vehicles   | 2,196,456.09                        | 288,993.06             | 78,553.63              | 2,406,895.52                   |
| Infrastructure                                       | 20,016,859.57                       | 1,360,216.08           | -                      | 21,377,075.65                  |
| <b>Total Accumulated Depreciation</b>                | <b>\$ 44,931,797.15</b>             | <b>\$ 3,080,362.57</b> | <b>\$ 2,938,792.27</b> | <b>\$ 45,073,367.45</b>        |
| <b>Total Capital Assets Being Depreciated, Net</b>   | <b>\$ 80,784,805.21</b>             | <b>\$ 2,107,287.75</b> | <b>\$ 42,993.18</b>    | <b>\$ 82,849,099.78</b>        |
| <b>Governmental Activities - Capital Assets, Net</b> | <b>\$ 81,290,700.21</b>             | <b>\$ 2,107,287.75</b> | <b>\$ 42,993.18</b>    | <b>\$ 83,354,994.78</b>        |

**GRAND FORKS COUNTY**

## Notes to the Financial Statements – Continued

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

| <b>Governmental Activities - County</b>                | <b>2017</b>            |
|--|------------------------|
| General Government                                     | \$ 764,770.26          |
| Public Safety  | 617,917.79             |
| Highways and Bridges                                   | 1,659,941.79           |
| Health and Welfare                                     | 33,633.02              |
| Conservation of Natural Resources                      | 4,099.72               |
| <b>Total Depreciation Expense - Primary Government</b> | <b>\$ 3,080,362.58</b> |

**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, 2017:

| <b>Governmental Activities - WRD</b>               | <b>Balance<br/>January 1</b> | <b>Increases</b>      | <b>Decreases</b> | <b>Balance<br/>December 31</b> |
|--|------------------------------|-----------------------|------------------|--------------------------------|
| <i>Capital assets not being depreciated:</i>       |                              |                       |                  |                                |
| Land   | \$ 551,814.37                | \$ -                  | \$ -             | \$ 551,814.37                  |
| <i>Capital assets, being depreciated:</i>          |                              |                       |                  |                                |
| Land Improvement                                   | \$ 1,627,431.82              | \$ -                  | \$ -             | \$ 1,627,431.82                |
| Office Equipment                                   | 20,254.00                    | -                     | -                | 20,254.00                      |
| Vehicles and Equipment                             | 530,444.57                   | 29,418.00             | -                | 559,862.57                     |
| <b>Total Capital Assets, Being Depreciated</b>     | <b>\$ 2,178,130.39</b>       | <b>\$ 29,418.00</b>   | <b>\$ -</b>      | <b>\$ 2,207,548.39</b>         |
| <i>Less accumulated depreciation for:</i>          |                              |                       |                  |                                |
| Land Improvement                                   | \$ 69,669.95                 | \$ 33,489.50          | \$ -             | \$ 103,159.45                  |
| Office Equipment                                   | 18,914.80                    | 347.90                | -                | 19,262.70                      |
| Vehicles and Equipment                             | 262,322.03                   | 41,743.44             | -                | 304,065.47                     |
| <b>Total Accumulated Depreciation</b>              | <b>\$ 350,906.78</b>         | <b>\$ 75,580.84</b>   | <b>\$ -</b>      | <b>\$ 426,487.62</b>           |
| <b>Total Capital Assets Being Depreciated, Net</b> | <b>\$ 1,827,223.61</b>       | <b>\$ (46,162.84)</b> | <b>\$ -</b>      | <b>\$ 1,781,060.77</b>         |
| <b>Governmental Activities-Capital Assets, Net</b> | <b>\$ 2,379,037.98</b>       | <b>\$ (46,162.84)</b> | <b>\$ -</b>      | <b>\$ 2,332,875.14</b>         |

Depreciation expense totaling \$75,581 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, 2017:

| <b>Governmental Activities - Fair Board</b>        | <b>Balance<br/>January 1</b> | <b>Increases</b>      | <b>Decreases</b> | <b>Balance<br/>December 31</b> |
|--|------------------------------|-----------------------|------------------|--------------------------------|
| <i>Capital assets not being depreciated:</i>       |                              |                       |                  |                                |
| Land   | \$ 85,420.27                 | \$ -                  | \$ -             | \$ 85,420.27                   |
| <i>Capital assets, being depreciated:</i>          |                              |                       |                  |                                |
| Equipment  | \$ 224,193.93                | \$ 5,220.25           | \$ -             | \$ 229,414.18                  |
| Leasehold Improvements                             | 713,632.43                   | 11,363.63             | -                | 724,996.06                     |
| <b>Total Capital Assets, Being Depreciated</b>     | <b>\$ 937,826.36</b>         | <b>\$ 16,583.88</b>   | <b>\$ -</b>      | <b>\$ 954,410.24</b>           |
| <i>Less accumulated depreciation for:</i>          |                              |                       |                  |                                |
| Equipment  | \$ 187,781.05                | \$ 11,614.02          | \$ -             | \$ 199,395.07                  |
| Leasehold Improvements                             | 365,614.07                   | 31,552.70             | -                | 397,166.77                     |
| <b>Total Accumulated Depreciation</b>              | <b>\$ 553,395.12</b>         | <b>\$ 43,166.72</b>   | <b>\$ -</b>      | <b>\$ 596,561.84</b>           |
| <b>Total Capital Assets Being Depreciated, Net</b> | <b>\$ 384,431.24</b>         | <b>\$ (26,582.84)</b> | <b>\$ -</b>      | <b>\$ 357,848.40</b>           |
| <b>Governmental Activities-Capital Assets, Net</b> | <b>\$ 469,851.51</b>         | <b>\$ (26,582.84)</b> | <b>\$ -</b>      | <b>\$ 443,268.67</b>           |

Depreciation expense totaling \$43,167 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, 2017 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, 2017 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, 2017.

**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, 2017 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, 2017 but not earned until January 2018 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, 2017, the following changes occurred in long-term liabilities for Grand Forks County:

| <b>Governmental Activities - County:</b>      | <b>Balance<br/>January 1</b> | <b>Increases</b>       | <b>Decreases</b>       | <b>Balance<br/>December 31</b> | <b>Due Within<br/>One Year</b> |
|---|------------------------------|------------------------|------------------------|--------------------------------|--------------------------------|
| Bonds Payable                                 | \$ 12,950,000.00             | \$ -                   | \$ 1,885,000.00        | \$ 11,065,000.00               | \$ 1,940,000.00                |
| Plus: Unamortized Bond Premium                | 277,662.93                   | -                      | 54,076.58              | 223,586.35                     | 32,086.61                      |
| Special Assessments Payable                   | -                            | 97.51                  | 97.51                  | -                              | -                              |
| Leases Payable                                | 1,731,275.63                 | -                      | 1,731,275.63           | -                              | -                              |
| Compensated Absences *                        | 1,652,900.50                 | 23,811.42              | -                      | 1,676,711.92                   | 167,671.19                     |
| Net Pension & OPEB Liability                  | 15,431,034.00                | 9,492,202.00           | -                      | 24,923,236.00                  | -                              |
| <b>Total Governmental Activities - County</b> | <b>\$ 32,042,873.06</b>      | <b>\$ 9,516,110.93</b> | <b>\$ 3,670,449.72</b> | <b>\$ 37,888,534.27</b>        | <b>\$ 2,139,757.80</b>         |

\* The change in compensated absences and pension & OPEB liability 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, and net pension & OPEB liability) at December 31, 2017 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%.                             | \$ 970,000           |
| \$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%.         | 615,000              |
| \$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%.  | 560,000              |
| \$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%.             | 360,000              |
| \$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%. | 8,560,000            |
| Total Primary Government Bonds Payable   | <u>\$ 11,065,000</u> |

**Bond Premium:**

|   |                      |
|---|----------------------|
| \$38,624.25 (2013A G.O Refunding Issue) and \$345,395.15 (2013 Lease Center Bonds) in Bond Premium will be amortized over the life of the respective bonds. | \$ 223,586           |
| Total Primary Government Long-Term Debt (Excluding Compensated Absences, Net Pension Liability, and OPEB Liability)   | <u>\$ 11,288,586</u> |

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

| GOVERNMENTAL ACTIVITIES - COUNTY |                  |                 |               |
|----------------------------------|------------------|-----------------|---------------|
| Year Ending<br>Dec 31            | Bonds Payable    |                 | Bond Premium  |
|                                  | Principal        | Interest        | Amortization  |
| 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                             | 1,270,000.00     | 137,150.00      | 26,568.86     |
| 2023 - 2027                      | 3,435,000.00     | 207,600.00      | 79,706.55     |
| Total                            | \$ 11,065,000.00 | \$ 1,291,932.50 | \$ 223,586.35 |

**Grand Forks County Water Resource District**

Changes in Long-Term Liabilities - During the year ended December 31, 2017, 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<br>January 1 | Increases   | Decreases     | Balance<br>December 31 | Due Within<br>One Year |
|-------------------------------------|----------------------|-------------|---------------|------------------------|------------------------|
| Bonds Payable                       | \$ 1,205,000.00      | \$ -        | \$ 145,000.00 | \$ 1,060,000.00        | \$ 85,000.00           |
| Less: Unamortized Bond Discount     | (8,879.00)           | -           | 634.00        | (8,245.00)             | -                      |
| Net Pension Liability               | 54,283.00            | 5,612.00    | -             | 59,895.00              | -                      |
| Total Governmental Activities - WRD | \$ 1,250,404.00      | \$ 5,612.00 | \$ 145,634.00 | \$ 1,111,650.00        | \$ 85,000.00           |



**GRAND FORKS COUNTY**

## Notes to the Financial Statements – Continued

Outstanding governmental activities Water Resource District debt at December 31, 2017 is comprised of the following individual issues:

**Special Assessment Bonds:**

|   |                     |
|---|---------------------|
| \$375,000 Improvement Bond of 2010; due in annual installments of \$25,000 through 2026; interest at 2.2% to 3.2%.            | \$ 225,000          |
| \$950,000 Improvement Bond of 2016; due in annual installments of \$55,000 to \$70,000 through 2030; interest at 1.0% to 3.0% | 835,000             |
| Total Water Resource District Special Assessment Bonds  | <u>\$ 1,060,000</u> |

Debt service requirements on long-term debt for governmental activities of the water resource district at December 31, 2017 are as follows:

| <b>GOVERNMENTAL ACTIVITIES - WRD</b> |                      |                 |                                       |
|--------------------------------------|----------------------|-----------------|---------------------------------------|
| <b>Year Ending<br/>Dec 31</b>        | <b>Bonds Payable</b> |                 | <b>Bond Discount<br/>Amortization</b> |
|                                      | <b>Principal</b>     | <b>Interest</b> |                                       |
| 2018                                 | \$ 85,000.00         | \$ 26,905.00    | \$ 634.00                             |
| 2019                                 | 85,000.00            | 25,445.00       | 634.00                                |
| 2020                                 | 85,000.00            | 23,675.00       | 634.00                                |
| 2021                                 | 85,000.00            | 21,905.00       | 634.00                                |
| 2022                                 | 85,000.00            | 20,135.00       | 634.00                                |
| 2023-2027                            | 425,000.00           | 62,275.00       | 3,170.00                              |
| 2028-2030                            | 210,000.00           | 9,450.00        | 1,905.00                              |
| Total                                | \$ 1,060,000.00      | \$ 189,790.00   | \$ 8,245.00                           |

**Greater Grand Forks Fair Association**

**Changes in Long-Term Liabilities** - During the year ended December 31, 2017, the following changes occurred in liabilities reported in long-term liabilities of governmental activities for the Greater Grand Forks Fair Association:

| <b>Governmental Activities - Fair:</b> | <b>Balance<br/>January 1</b> | <b>Increases</b> | <b>Decreases</b> | <b>Balance<br/>December 31</b> | <b>Due Within<br/>One Year</b> |
|--|------------------------------|------------------|------------------|--------------------------------|--------------------------------|
| Loans Payable                          | \$ 60,000.00                 | \$ -             | \$ 7,764.33      | \$ 52,235.67                   | \$ 7,991.54                    |
| Special Assessments Payable            | 2,478.62                     | -                | 422.01           | 2,056.61                       | 422.02                         |
| Total Governmental Activities - Fair   | \$ 62,478.62                 | \$ -             | \$ 8,186.34      | \$ 54,292.28                   | \$ 8,413.56                    |

Outstanding debt at December 31, 2017 consists of the following individual items:

**Loans Payable:**

|  |           |
|--|-----------|
| \$60,000 Bank Loan taken out in 2017 due in annual installments of \$9,793 through 2023; interest at 3.4%. | \$ 52,236 |
|--|-----------|

**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%. | 2,057            |
| Total Fair Debt Payable  | <u>\$ 54,292</u> |

**GRAND FORKS COUNTY**

## Notes to the Financial Statements – Continued

Debt service requirements on Fair Association long-term debt at December 31, 2017 are as follows:

| <b>GOVERNMENTAL ACTIVITIES - FAIR</b> |                     |                 |                                   |                 |
|---------------------------------------|---------------------|-----------------|-----------------------------------|-----------------|
| <b>Year Ending<br/>Dec 31</b>         | <b>Loan Payable</b> |                 | <b>Special Assessment Payable</b> |                 |
|                                       | <b>Principal</b>    | <b>Interest</b> | <b>Principal</b>                  | <b>Interest</b> |
| 2018                                  | \$ 7,991.54         | \$ 1,801.46     | \$ 422.01                         | \$ 91.50        |
| 2019                                  | 8,267.03            | 1,525.97        | 422.01                            | 67.95           |
| 2020                                  | 8,548.61            | 1,244.39        | 422.01                            | 44.41           |
| 2021                                  | 8,846.70            | 946.30          | 184.29                            | 20.86           |
| 2022                                  | 9,151.66            | 641.34          | 184.29                            | 10.43           |
| 2023 - 2027                           | 9,430.13            | 325.86          | 422.00                            | 115.05          |
| Total                                 | \$ 52,235.67        | \$ 6,485.32     | \$ 2,056.61                       | \$ 350.20       |

**NOTE 14: OPERATING LEASES**

Grand Forks County is engaged in various operating leases which include copiers, postage machines, printers, and motor graders. Total lease payments made during 2017 totaled \$209,184. The County departments are listed along with the piece of equipment that is being leased by that department in the following schedules.

| <b>GOVERNMENTAL ACTIVITIES - PRIMARY GOVERNMENT</b> |                           |  |  |   |  |                                  |
|---|---------------------------|--|--|---|--|----------------------------------|
| <b>Year Ending<br/>Dec. 31</b>                      | <b>Sheriff<br/>Copier</b> | <b>Social Services<br/>Copiers &amp; Postage<br/>Machine</b> | <b>Emergency<br/>Management<br/>Copier</b> | <b>States Attorney<br/>Copiers &amp;<br/>Printers</b> | <b>NDSU<br/>Extension<br/>Postage &amp; Copier</b> | <b>Highway<br/>Motor Graders</b> |
| 2018  | \$ 7,955                  | \$ 11,434  | \$ 1,704                                   | \$ 15,255   | \$ 9,875   | \$ 346,422                       |
| 2019  | 7,955                     | 11,434   | 1,704                                      | 15,255  | 9,720  | 346,422                          |
| 2020  | 7,955                     | 10,805   | 1,562                                      | 15,255  | 4,626  | 346,422                          |
| 2021  | 7,955                     | 10,595   | -  | 15,255  | -  | 346,422                          |
| 2022  | -                         | 8,830  | -  | 15,255  | -  | 173,211                          |
| Totals  | \$ 31,820                 | \$ 53,098  | \$ 4,970                                   | \$ 76,275   | \$ 24,221  | \$ 1,558,899                     |

**NOTE 15: PENSION PLAN****General Information about the Pension Plan****North Dakota Public Employees Retirement System (Main System)**

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

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

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

**Pension Benefits**

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

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

**Death and Disability Benefits**

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

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

**Refunds of Member Account Balance**

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

**Member and Employer Contributions**

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

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  |

**GRAND FORKS COUNTY**

## Notes to the Financial Statements – Continued

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

At December 31, 2017, the Employer reported a liability of \$23,817,212 for the County and \$57,237 for the Water Resource District for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2017, the Employer's proportion for the County was 1.481789 percent, which was an increase of .012380 percent from its proportion measured as of June 30, 2016. At June 30, 2017, the Employer's proportion for the Water Resource District was .003561 percent, which was a decrease of .001735 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017 the Employer recognized pension expense of \$3,515,707 for the County and \$5,003 for the Water Resource District. At December 31, 2017, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <b>Primary Government</b>                                 | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|---|---|--|
| Differences Between Expected and Actual Experience        | \$ 141,568                                | \$ 116,042                               |
| Changes of Assumptions                                    | 9,766,664                                 | 537,188                                  |
| Net Difference Between Projected and Actual Investment    |   |  |
| Earnings on Pension Plan Investments                      | 320,322                                   | -  |
| Changes in Proportion and Differences Between Employer    |   |  |
| Contributions and Proportionate Share of Contributions    | 147,876                                   | 411,031                                  |
| Employer Contributions Subsequent to the Measurement Date | 546,794                                   | -  |
| <b>Total</b>  | <b>\$ 10,923,224</b>                      | <b>\$ 1,064,261</b>                      |

| <b>Component Unit - Water Resource District</b>           | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|---|---|--|
| Differences Between Expected and Actual Experience        | \$ 340                                    | \$ 279                                   |
| Changes of Assumptions                                    | 23,471                                    | 1,291                                    |
| Net Difference Between Projected and Actual Investment    |   |  |
| Earnings on Pension Plan Investments                      | 770                                       | -  |
| Changes in Proportion and Differences Between Employer    |   |  |
| Contributions and Proportionate Share of Contributions    | -   | 15,556                                   |
| Employer Contributions Subsequent to the Measurement Date | 1,638                                     | -  |
| <b>Total</b>  | <b>\$ 26,219</b>                          | <b>\$ 17,126</b>                         |

\$546,794 and \$1,638 for the County and Water Resource respectively are 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, 2018.

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

| <b>County</b> |              |
|---------------|--------------|
| 2018          | \$ 1,986,856 |
| 2019          | 2,426,378    |
| 2020          | 2,095,025    |
| 2021          | 1,801,679    |
| 2022          | 1,002,231    |
| Thereafter    | -            |

| <b>Water Resource District</b> |          |
|--------------------------------|----------|
| 2018                           | \$ 1,329 |
| 2019                           | 2,386    |
| 2020                           | 1,590    |
| 2021                           | 990      |
| 2022                           | 1,160    |
| Thereafter                     | -        |

## Notes to the Financial Statements – Continued

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                            |  |
|----------------------------|--|
| Inflation                  | 3.50%  |
| Salary increases           | <div> <div>Service at Beginning of year:</div> <div> <div>0</div> <div>1</div> <div>2</div> </div> <div> <div>Age*</div> <div>Under 36</div> <div>36 – 40</div> <div>41 – 49</div> <div>50+</div> </div> <div> <div>Increase Rate:</div> <div>15.00%</div> <div>10.00%</div> <div>8.00%</div> <div>8.00%</div> <div>7.50%</div> <div>6.00%</div> <div>5.00%</div> </div> </div> <div>* Age-based salary increase rates apply for employees with three or more years of service</div> |
| Investment rate of return  | 7.75%, 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 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%               | 6.90%                                  |
| International Equity       | 21%               | 7.55%                                  |
| Private Equity             | 5%                | 11.30%                                 |
| Domestic Fixed Income      | 17%               | 1.52%                                  |
| International Fixed Income | 5%                | -0.45%                                 |
| Global Real Assets         | 20%               | 5.38%                                  |
| Cash Equivalents           | 1%                | 0.00%                                  |

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

**GRAND FORKS COUNTY**

## Notes to the Financial Statements – Continued

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

The pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.56%; and the resulting Single Discount Rate is 6.44%.

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 6.44 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 (5.44 percent) or 1-percentage-point higher (7.44 percent) than the current rate:

| <b>County</b>                                       | <b>1%<br/>Decrease (5.44%)</b> | <b>Current<br/>Discount<br/>Rate (6.44%)</b> | <b>1%<br/>Increase (7.44%)</b> |
|---|--------------------------------|--|--------------------------------|
| Proportionate Share<br>of the Net Pension Liability | \$ 32,332,594                  | \$ 23,817,212                                | \$ 16,732,769                  |

| <b>Water Resource District</b>                      | <b>1%<br/>Decrease (5.44%)</b> | <b>Current<br/>Discount<br/>Rate (6.44%)</b> | <b>1%<br/>Increase (7.44%)</b> |
|---|--------------------------------|--|--------------------------------|
| Proportionate Share<br>of the Net Pension Liability | \$ 77,701                      | \$ 57,237                                    | \$ 40,212                      |

**Pension plan fiduciary net position**

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

**NOTE 16: OPEB PLAN**

**General Information about the OPEB Plan**

**North Dakota Public Employees Retirement System**

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

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

**GRAND FORKS COUNTY**

## Notes to the Financial Statements – Continued

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

**OPEB Benefits**

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds.

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

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

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

At December 31, 2017, the Employer reported a liability of \$1,106,024 for their proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2017 the Employer's proportion for the County was 1.398241 percent, which was an increase of 1.398241 percent.

For the year ended December 31, 2017 the Employer recognized OPEB expense of \$135,081 respectively. At December 31, 2017 the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| <b>Primary Government</b>   | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|---|---|--|
| Differences Between Expected and Actual Experience  | \$ -                                      | \$ 26,975                                |
| Changes of Assumptions  | 107,125                                   | -  |
| Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments                      | -   | 41,818                                   |
| Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | 11,256                                    | -  |
| Employer Contributions Subsequent to the Measurement Date   | 87,548                                    | -  |
| <b>Total</b>  | <b>\$ 205,929</b>                         | <b>\$ 68,793</b>                         |

\$87,548 was reported for the County, respectively, as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2018.

**GRAND FORKS COUNTY**

## Notes to the Financial Statements – Continued

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

| County     |    |        |
|------------|----|--------|
| 2018       | \$ | 3,854  |
| 2019       |    | 3,854  |
| 2020       |    | 3,854  |
| 2021       |    | 3,854  |
| 2022       |    | 14,309 |
| 2023       |    | 14,309 |
| Thereafter |    | 5,554  |

**Actuarial assumptions**

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                            |                                   |
|----------------------------|-----------------------------------|
| Inflation                  | 2.50%                             |
| Salary Increases           | Not applicable                    |
| Investment rate or return  | 7.50%, 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 long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2017 are summarized in the following table:

| Asset Class                 | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------------|-------------------|--|
| Large Cap Domestic Equities | 37%               | 5.80%                                  |
| Small Cap Domestic Equities | 9%                | 7.05%                                  |
| International Equities      | 14%               | 6.20%                                  |
| Core-Plus Fixed Income      | 40%               | 1.56%                                  |

**Discount rate**

The discount rate used to measure the total OPEB liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2017, and July 1, 2016, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.



**GRAND FORKS COUNTY**

## Notes to the Financial Statements – Continued

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

The following presents the net OPEB liability of the Plans as of June 30, 2017, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

| <b>County</b>                                    | <b>1%<br/>Decrease (6.50%)</b> | <b>Current<br/>Discount<br/>Rate (7.50%)</b> | <b>1%<br/>Increase (8.50%)</b> |
|--|--------------------------------|--|--------------------------------|
| Proportionate Share<br>of the Net OPEB Liability | \$ 1,384,607                   | \$ 1,106,024                                 | \$ 867,228                     |

**NOTE 17: 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 (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Grand Forks County pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF for automobile and general liability is limited to losses of two million dollars per occurrence. Public assets coverage is limited to \$5,131,453.

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 18: 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.

As of December 31, 2017, there were no CDBG loans outstanding that had a balance at the end of the audit period.

**GRAND FORKS COUNTY**Notes to the Financial Statements – Continued

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As of December 31, 2017, there were ten Industrial Revenue Bond issuances which had a combined total of \$29,961,693.

As of the year ending December 31, 2017, 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, 2017, there were five Recovery Zone Facility bond issuances which had a combined total of \$38,358,000.

As of the year ending December 31, 2017, 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, 2017, 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, 2017, 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, 2017, there was one Qualified Zone Academy Bond issuance which totaled \$5,000,000.

As of the year ending December 31, 2017, 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, 2017, there was one Qualified School Construction Bond issuance which totaled \$6,230,000.

As of the year ending December 31, 2017, 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, 2017, there was one Taxable Wellness Center Revenue Bond issuance which totaled \$1,350,000.

**GRAND FORKS COUNTY**

## Notes to the Financial Statements – Continued

**NOTE 19: TRANSFERS**

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2017:

|                             | Transfers In           | Transfers Out          |
|-----------------------------|------------------------|------------------------|
| <b>Major Funds</b>          |                        |                        |
| General Fund                | \$ 582.30              | \$ 2,065.99            |
| Social Services             |                        | 582.30                 |
| <b>Nonmajor Funds:</b>      |                        |                        |
| Contract Policing           | 2,065.99               |                        |
| <b>Debt Service Funds</b>   |                        |                        |
| Mortgage Revenue Bonds 2008 | -                      | 329,923.46             |
| Lease Revenue Bonds 2005    | -                      | 1,235,983.85           |
| Lease Revenue Bonds 2008    | 329,923.46             | -                      |
| Lease Revenue Bonds 2013    | 358,785.91             | -                      |
| Lease Revenue Bonds 2014    | 877,197.94             | -                      |
| <b>Total Transfers</b>      | <b>\$ 1,568,555.60</b> | <b>\$ 1,568,555.60</b> |

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 20: 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, 2017, which is the most current unaudited information available:

|                        |                         |
|------------------------|-------------------------|
| Total Assets           | \$ 10,183,698.00        |
| Total Liabilities      | 117,178.00              |
| Net Position           | <u>\$ 10,066,520.00</u> |
| Revenues               | \$ 6,062,069.00         |
| Expenses               | 3,185,863.00            |
| Change in Net Position | <u>\$ 2,876,206.00</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 21: PRIOR PERIOD ADJUSTMENTS****Change in Accounting Principle – GASB 75 - OPEB:**

Net position as of January 1, 2017 has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financing Reporting for Postemployment Benefit Plans Other than Pensions*.

The result of implementing GASB 75 reduced beginning net position for the governmental and business-type activities of the County, which consists of the net OPEB liability related to the North Dakota Public Employees Retirement System (NDPERS).

The effect of the prior period adjustments to beginning net position for the change in accounting principle for the County is as follows:

| <b>Governmental Activities (County):</b>                        | <b>Amounts</b>   |
|---|------------------|
| Beginning Net Position, as previously reported                  | \$ 71,126,156.19 |
| <b>Adjustments to restate the January 1, 2017 Net Position:</b> |                  |
| Capital Assets Cost   | 16,500.00        |
| Depreciation  | (16,500.00)      |
| Net Pension & OPEB Liability PPA                                | (1,110,211.00)   |
| Net Position January 1, as restated                             | \$ 70,015,945.19 |

**NOTE 22: 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, 2017.

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

## GRAND FORKS COUNTY

### Notes to the Financial Statements – Continued

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#### 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%.

#### 2017 Reduction in Taxes – Other Entities:

Total program reduction in taxes – \$219,355

#### **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.

#### 2017 Reduction in Taxes – Other Entities:

Total program reduction in taxes – \$1,312,290

#### **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.

#### 2017 Reduction in Taxes:

Total Program Reduction in County Only Taxes – \$184,204

#### **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

2017 Reduction in Taxes – Other Entities:

Total Program Reduction in taxes – \$13,133

**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.

2017 Reduction in Taxes – Other Entities:

Total program reduction in taxes – \$122,175

**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.

2017 Reduction in Taxes – Other Entities:

Total program reduction in taxes – \$1,232

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**GRAND FORKS COUNTY**Notes to the Financial Statements – Continued

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**NOTE 23: GRAND SKY EUL PROJECT**

Grand Forks County entered into an Enhanced Use Lease (EUL) with the United States Air Force on February 6, 2015. The location of the property (estimated 217 acres) is located on Grand Forks Air Force Base. The term of the lease is 50 years with the option of renewal if the County is not in any default of any of its obligations. The project will be used solely for the advancement of the Unmanned Aerial Systems (UAS) industry and the Remotely Piloted Aircraft (RPA) industry, along with support for manned aviation, light industrial and manufacturing activities, and mixed use facilities which include hangars, classrooms/training facilities, administrative offices, data centers, and other uses approved by the United States Air Force. The County's competitively selected developer, Grand Sky Development Company, LLC, will recommend to the County Board of Commissioners certain contractors to perform work funded through the North Dakota Department of Transportation and North Dakota Department of Commerce as required only after following the selection process set forth in the North Dakota Century Code requirements for bidding development projects. The sublease between Grand Forks County and Grand Sky Development Company, LLC was approved by the United States Air Force and executed on February 6, 2015. Through the sublease, Grand Sky Development Company, LLC will be financially responsible for making the lease payments to the United States Air Force. Grand Forks County will set up an escrow account to transmit funds to the United States Air Force when payments are due. Grand Forks County to date has out of pocket costs of a sum total of \$481,730 that was related to this project. Grand Forks County will own no land, equipment, or infrastructure in result of the stated costs. The purpose of this project was solely to benefit the economy of Grand Forks County and its citizens.

GRAND FORKS COUNTY  
Grand Forks, North Dakota

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Year Ended December 31, 2017

|  | Original<br>Budget | Final<br>Budget  | Actual           | Variance with<br>Final Budget |
|--|--------------------|------------------|------------------|-------------------------------|
| <u>Revenues:</u>                                     |                    |                  |                  |                               |
| Taxes  | \$ 13,685,090.00   | \$ 13,685,090.00 | \$ 13,088,932.60 | \$ (596,157.40)               |
| Licenses, Permits and Fees                           | 87,750.00          | 87,750.00        | 90,561.25        | 2,811.25                      |
| Intergovernmental                                    | 3,313,919.00       | 3,313,919.00     | 3,655,015.10     | 341,096.10                    |
| Charges for Services                                 | 3,094,406.00       | 3,094,406.00     | 3,744,911.73     | 650,505.73                    |
| Interest Income                                      | 16,000.00          | 16,000.00        | 98,072.65        | 82,072.65                     |
| Miscellaneous  | 189,300.00         | 189,300.00       | 390,261.63       | 200,961.63                    |
| Total Revenues                                       | \$ 20,386,465.00   | \$ 20,386,465.00 | \$ 21,067,754.96 | \$ 681,289.96                 |
| <u>Expenditures:</u>                                 |                    |                  |                  |                               |
| Current:   |                    |                  |                  |                               |
| General Government                                   | \$ 7,352,698.00    | \$ 7,359,737.00  | \$ 6,826,981.00  | \$ 532,756.00                 |
| Public Safety  | 12,324,970.00      | 12,395,065.00    | 11,845,480.35    | 549,584.65                    |
| Economic Development                                 | 186,254.00         | 186,254.00       | 159,283.45       | 26,970.55                     |
| Capital Outlay                                       | 1,000,000.00       | 1,000,000.00     | 346,033.36       | 653,966.64                    |
| Total Expenditures                                   | \$ 20,863,922.00   | \$ 20,941,056.00 | \$ 19,177,778.16 | \$ 1,763,277.84               |
| Excess (Deficiency) of Revenues<br>Over Expenditures | \$ (477,457.00)    | \$ (554,591.00)  | \$ 1,889,976.80  | \$ 2,444,567.80               |
| <u>Other Financing Sources (Uses):</u>               |                    |                  |                  |                               |
| Transfers Out  | \$ (93,969.00)     | \$ (93,969.00)   | \$ (2,065.99)    | \$ 91,903.01                  |
| Net Change in Fund Balances                          | \$ (571,426.00)    | \$ (648,560.00)  | \$ 1,888,493.11  | \$ 2,537,053.11               |
| Fund Balance - January 1                             | \$ 10,931,536.14   | \$ 10,931,536.14 | \$ 10,931,536.14 | \$ -                          |
| Fund Balance - December 31                           | \$ 10,360,110.14   | \$ 10,282,976.14 | \$ 12,820,029.25 | \$ 2,537,053.11               |

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, 2017

|  | Original<br>Budget | Final<br>Budget   | Actual          | Variance with<br>Final Budget |
|--|--------------------|-------------------|-----------------|-------------------------------|
| <u>Revenues:</u>                                     |                    |                   |                 |                               |
| Taxes  | \$ 2,284,243.00    | \$ 2,284,243.00   | \$ 2,192,866.27 | \$ (91,376.73)                |
| Intergovernmental                                    | 119,400.00         | 119,400.00        | 1,921,236.46    | 1,801,836.46                  |
| Total Revenues                                       | \$ 2,403,643.00    | \$ 2,403,643.00   | \$ 4,114,102.73 | \$ 1,710,459.73               |
| <u>Expenditures:</u>                                 |                    |                   |                 |                               |
| Current:   |                    |                   |                 |                               |
| Highways and Bridges                                 | \$ 3,266,730.00    | \$ 3,836,830.00   | \$ 3,836,797.03 | \$ 32.97                      |
| Excess (Deficiency) of Revenues<br>Over Expenditures | \$ (863,087.00)    | \$ (1,433,187.00) | \$ 277,305.70   | \$ 1,710,492.70               |
| Fund Balance - January 1                             | \$ 1,351,677.82    | \$ 1,351,677.82   | \$ 1,351,677.82 | \$ -                          |
| Fund Balance - December 31                           | \$ 488,590.82      | \$ (81,509.18)    | \$ 1,628,983.52 | \$ 1,710,492.70               |

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

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GRAND FORKS COUNTY  
Grand Forks, North Dakota

BUDGETARY COMPARISON SCHEDULE  
HIGHWAY TAX DISTRIBUTION FUND  
For the Year Ended December 31, 2017

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|  | Original<br>Budget     | Final<br>Budget        | Actual                 | Variance with<br>Final Budget |
|--|------------------------|------------------------|------------------------|-------------------------------|
| <u>Revenues:</u>                                     |                        |                        |                        |                               |
| Intergovernmental                                    | \$ 2,875,461.00        | \$ 2,875,461.00        | \$ 3,031,023.23        | \$ 155,562.23                 |
| Charges for Services                                 | 383,298.00             | 383,298.00             | 433,912.73             | 50,614.73                     |
| Miscellaneous  | 10,521.00              | 10,521.00              | 32,965.32              | 22,444.32                     |
| Total Revenues                                       | <u>\$ 3,269,280.00</u> | <u>\$ 3,269,280.00</u> | <u>\$ 3,497,901.28</u> | <u>\$ 228,621.28</u>          |
| <u>Expenditures:</u>                                 |                        |                        |                        |                               |
| Current:   |                        |                        |                        |                               |
| Highways and Bridges                                 | <u>\$ 3,976,045.00</u> | <u>\$ 3,976,045.00</u> | <u>\$ 3,313,911.12</u> | <u>\$ 662,133.88</u>          |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>\$ (706,765.00)</u> | <u>\$ (706,765.00)</u> | <u>\$ 183,990.16</u>   | <u>\$ 890,755.16</u>          |
| Fund Balance - January 1                             | <u>\$ 1,214,887.52</u> | <u>\$ 1,214,887.52</u> | <u>\$ 1,214,887.52</u> | <u>\$ -</u>                   |
| Fund Balance - December 31                           | <u>\$ 508,122.52</u>   | <u>\$ 508,122.52</u>   | <u>\$ 1,398,877.68</u> | <u>\$ 890,755.16</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, 2017

|  | Original<br>Budget | Final<br>Budget | Actual          | Variance with<br>Final Budget |
|--|--------------------|-----------------|-----------------|-------------------------------|
| <u>Revenues:</u>                                     |                    |                 |                 |                               |
| Taxes  | \$ 5,741,040.00    | \$ 5,741,040.00 | \$ 5,502,220.43 | \$ (238,819.57)               |
| Intergovernmental                                    | 1,965,000.00       | 1,965,000.00    | 1,981,894.44    | 16,894.44                     |
| Total Revenues                                       | \$ 7,706,040.00    | \$ 7,706,040.00 | \$ 7,484,114.87 | \$ (221,925.13)               |
| <u>Expenditures:</u>                                 |                    |                 |                 |                               |
| Current:   |                    |                 |                 |                               |
| Health and Welfare                                   | \$ 8,329,864.00    | \$ 8,329,864.00 | \$ 7,849,221.71 | \$ 480,642.29                 |
| Excess (Deficiency) of Revenues<br>Over Expenditures | \$ (623,824.00)    | \$ (623,824.00) | \$ (365,106.84) | \$ 258,717.16                 |
| <u>Other Financing Sources (Uses):</u>               |                    |                 |                 |                               |
| Transfers In   | \$ 93,969.00       | \$ 93,969.00    | \$ -            | \$ (93,969.00)                |
| Transfers Out  | -                  | -               | (582.30)        | (582.30)                      |
| Net Change in Fund Balances                          | \$ (529,855.00)    | \$ (529,855.00) | \$ (365,689.14) | \$ 164,165.86                 |
| Fund Balance - January 1                             | \$ 1,053,517.91    | \$ 1,053,517.91 | \$ 1,053,517.91 | \$ -                          |
| Fund Balance - December 31                           | \$ 523,662.91      | \$ 523,662.91   | \$ 687,828.77   | \$ 164,165.86                 |

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

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GRAND FORKS COUNTY  
Grand Forks, North Dakota

BUDGETARY COMPARISON SCHEDULE  
EMERGENCY FUND  
For the Year Ended December 31, 2017

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|  | Original<br>Budget | Final<br>Budget | Actual          | Variance with<br>Final Budget |
|--|--------------------|-----------------|-----------------|-------------------------------|
| <u>Revenues:</u>                                     |                    |                 |                 |                               |
| Taxes  | \$ 71,763.00       | \$ 71,763.00    | \$ 69,740.02    | \$ (2,022.98)                 |
| Intergovernmental                                    | 7,470.00           | 7,470.00        | 6,905.77        | (564.23)                      |
| Total Revenues                                       | \$ 79,233.00       | \$ 79,233.00    | \$ 76,645.79    | \$ (2,587.21)                 |
| <u>Expenditures:</u>                                 |                    |                 |                 |                               |
| Current:   |                    |                 |                 |                               |
| General Government                                   | \$ 75,856.00       | \$ 75,856.00    | \$ -            | \$ 75,856.00                  |
| Excess (Deficiency) of Revenues<br>Over Expenditures | \$ 3,377.00        | \$ 3,377.00     | \$ 76,645.79    | \$ 73,268.79                  |
| Fund Balance - January 1                             | \$ 1,130,173.90    | \$ 1,130,173.90 | \$ 1,130,173.90 | \$ -                          |
| Fund Balance - December 31                           | \$ 1,133,550.90    | \$ 1,133,550.90 | \$ 1,206,819.69 | \$ 73,268.79                  |

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, 2017

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

| <b>Primary Government</b>   | <b>2017</b>   | <b>2016</b>   | <b>2015</b>   | <b>2014</b>   |
|---|---------------|---------------|---------------|---------------|
| County's proportion of the net pension liability (asset)  | 1.481789%     | 1.469409%     | 1.486855%     | 1.557809%     |
| County's proportionate share of the net pension liability (asset)   | \$ 23,817,212 | \$ 14,320,823 | \$ 10,110,360 | \$ 9,887,747  |
| County's covered-employee payroll   | \$ 15,126,744 | \$ 14,808,175 | \$ 13,246,075 | \$ 13,122,653 |
| County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 157.45%       | 96.71%        | 76.33%        | 75.35%        |
| Plan fiduciary net position as a percentage of the total pension liability  | 61.98%        | 70.46%        | 77.15%        | 77.70%        |

| <b>Water Resource District</b>  | <b>2017</b> | <b>2016</b> | <b>2015</b> | <b>2014</b> |
|---|-------------|-------------|-------------|-------------|
| District's proportion of the net pension liability (asset)  | 0.003561%   | 0.005296%   | 0.006246%   | 0.006341%   |
| District's proportionate share of the net pension liability (asset)   | \$ 57,237   | \$ 51,615   | \$ 42,472   | \$ 40,248   |
| District's covered-employee payroll   | \$ 36,350   | \$ 53,375   | \$ 55,644   | \$ 53,418   |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 157.46%     | 96.70%      | 76.33%      | 75.35%      |
| Plan fiduciary net position as a percentage of the total pension liability  | 61.98%      | 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\***

| <b>Primary Government</b>  | <b>2017</b>    | <b>2016</b>   | <b>2015</b>    | <b>2014</b>   |
|--|----------------|---------------|----------------|---------------|
| Statutorily required contribution                                  | \$ 1,096,873   | \$ 1,072,088  | \$ 1,006,145   | \$ 934,333    |
| Contributions in relation to the statutorily required contribution | \$ (1,179,531) | \$ (967,745)  | \$ (1,012,374) | \$ (934,333)  |
| Contribution deficiency (excess)                                   | \$ (82,658)    | \$ 104,343    | \$ (6,229)     | \$ -          |
| District's covered-employee payroll                                | \$ 15,126,744  | \$ 14,808,176 | \$ 13,246,075  | \$ 13,122,653 |
| Contributions as a percentage of covered-employee payroll          | 7.80%          | 6.54%         | 7.64%          | 7.12%         |

**GRAND FORKS COUNTY**

Notes to the Required Supplementary Information - Continued

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

| <b>Water Resource District</b>                                     | <b>2017</b> | <b>2016</b> | <b>2015</b> | <b>2014</b> |
|--|-------------|-------------|-------------|-------------|
| Statutorily required contribution                                  | \$ 2,636    | \$ 3,864    | \$ 4,227    | \$ 3,804    |
| Contributions in relation to the statutorily required contribution | \$ (3,351)  | \$ (4,137)  | \$ (3,962)  | \$ (3,804)  |
| Contribution deficiency (excess)                                   | \$ (715)    | \$ (273)    | \$ 265      | \$ -        |
| District's covered-employee payroll                                | \$ 36,350   | \$ 53,375   | \$ 55,644   | \$ 53,418   |
| Contributions as a percentage of covered-employee payroll          | 9.22%       | 7.75%       | 7.12%       | 7.12%       |

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

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

| <b>Primary Government</b>  | <b>2017</b>  |
|--|--------------|
| County's proportion of the net OPEB liability (asset)  | 1.398241%    |
| County's proportionate share of the net OPEB liability (asset)   | \$ 1,106,024 |
| County's covered-employee payroll  | \$15,126,744 |
| County's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll | 7.31%        |
| Plan fiduciary net position as a percentage of the total OPEB liability  | 59.78%       |

| <b>Water Resource District</b>   | <b>2017</b> |
|--|-------------|
| County's proportion of the net OPEB liability (asset)  | 0.003360%   |
| County's proportionate share of the net OPEB liability (asset)   | \$ 2,658    |
| County's covered-employee payroll  | \$ 36,350   |
| County's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll | 7.31%       |
| Plan fiduciary net position as a percentage of the total OPEB liability  | 59.78%      |

\*Complete data for this schedule is not available prior to 2017

**GRAND FORKS COUNTY**Notes to the Required Supplementary Information - Continued

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

|  |              |
|--|--------------|
| <b>Primary Government</b>  |              |
| Statutory required contribution                                  | \$ 175,838   |
| Contributions in relation to the statutory required contribution | \$ (188,856) |
| Contribution deficiency (excess)                                 | \$ (13,018)  |
| District's covered-employee payroll                              | \$15,126,744 |
| Contributions as a percentage of covered-employee payroll        | 1.25%        |

|  |           |
|--|-----------|
| <b>Water Resource District</b>                                   |           |
| Statutory required contribution                                  | \$ 423    |
| Contributions in relation to the statutory required contribution | \$ (537)  |
| Contribution deficiency (excess)                                 | \$ (114)  |
| District's covered-employee payroll                              | \$ 36,350 |
| Contributions as a percentage of covered-employee payroll        | 1.48%     |

\*Complete data for this schedule is not available prior to 2017.

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GRAND FORKS COUNTY  
Grand Forks, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2017

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**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 2017 as follows:

| Fund                            | EXPENDITURES/TRANSFERS OUT |           |                |
|---------------------------------|----------------------------|-----------|----------------|
|                                 | Original Budget            | Amendment | Amended Budget |
| Major Funds:                    |                            |           |                |
| General Fund                    | \$ 20,863,922              | \$ 77,134 | \$ 20,941,056  |
| County Road & Bridge            | 3,266,730                  | 570,100   | 3,836,830      |
| Nonmajor Special Revenue Funds: |                            |           |                |
| Crime Prevention                | -                          | 700       | 700            |
| Recorder-Technology Fund        | 50,000                     | 30,000    | 80,000         |
| Nonmajor Debt Service Fund:     |                            |           |                |
| GO Bonds                        | 1,920,710                  | 1,200     | 1,921,910      |



**GRAND FORKS COUNTY**Notes to the Supplementary Information - Continued

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**NOTE 3: PENSIONS - CHANGES OF ASSUMPTIONS**

Amounts reported in 2017 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2017. 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

NON-MAJOR COMBINING STATEMENT- BALANCE SHEET  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2017

|   | Non-Major<br>Special Revenue | Non-Major<br>Debt Service | Non-Major<br>Capital Projects | Total Other<br>Governmental<br>Funds |
|---|------------------------------|---------------------------|-------------------------------|--------------------------------------|
| <u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>                        |                              |                           |                               |                                      |
| Assets:   |                              |                           |                               |                                      |
| Cash and investments  | \$ 2,030,097.51              | \$ 622,122.47             | \$ 125,867.70                 | \$ 2,778,087.68                      |
| Intergovernmental receivable  | 20,615.48                    | 32,327.90                 | -                             | 52,943.38                            |
| Taxes receivable  | 17,196.32                    | 29,332.34                 | -                             | 46,528.66                            |
| Total Assets  | <u>\$ 2,067,909.31</u>       | <u>\$ 683,782.71</u>      | <u>\$ 125,867.70</u>          | <u>\$ 2,877,559.72</u>               |
| <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES<br/>AND FUND BALANCES</u> |                              |                           |                               |                                      |
| Liabilities:  |                              |                           |                               |                                      |
| Accounts payable  | \$ 5,437.50                  | \$ -                      | \$ 4,113.00                   | \$ 9,550.50                          |
| <u>Deferred Inflows Of Resources:</u>                                   |                              |                           |                               |                                      |
| Taxes receivable  | \$ 17,196.32                 | \$ 29,332.34              | \$ -                          | \$ 46,528.66                         |
| Taxes received in advance   | 210,001.89                   | 359,394.71                | -                             | 569,396.60                           |
| Total Deferred Inflows of Resources                                     | <u>\$ 227,198.21</u>         | <u>\$ 388,727.05</u>      | <u>\$ -</u>                   | <u>\$ 615,925.26</u>                 |
| <u>Fund Balances:</u>   |                              |                           |                               |                                      |
| Committed For:  |                              |                           |                               |                                      |
| Park Related Projects   | \$ 60,196.47                 | \$ -                      | \$ -                          | \$ 60,196.47                         |
| County Improvements   | 951,683.51                   | -                         | -                             | 951,683.51                           |
| Restricted For:   |                              |                           |                               |                                      |
| General Government  | 142,433.34                   | -                         | -                             | 142,433.34                           |
| Public safety   | 169,552.92                   | -                         | -                             | 169,552.92                           |
| Flood Repair  | 19,351.35                    | -                         | -                             | 19,351.35                            |
| Health and welfare  | 141,002.58                   | -                         | -                             | 141,002.58                           |
| Conservation of natural resources                                       | 351,053.43                   | -                         | -                             | 351,053.43                           |
| Debt Service  | -                            | 295,055.66                | -                             | 295,055.66                           |
| Capital Projects  | -                            | -                         | 121,754.70                    | 121,754.70                           |
| Total Fund Balances   | <u>\$ 1,835,273.60</u>       | <u>\$ 295,055.66</u>      | <u>\$ 121,754.70</u>          | <u>\$ 2,252,083.96</u>               |
| Total Liabilities, Deferred Inflows of Resources,<br>and Fund Balances  | <u>\$ 2,067,909.31</u>       | <u>\$ 683,782.71</u>      | <u>\$ 125,867.70</u>          | <u>\$ 2,877,559.72</u>               |

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

GRAND FORKS COUNTY  
Grand Forks, North Dakota

NON-MAJOR COMBINING STATEMENT- INCOME STATEMENT  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2017

|  | Non-Major<br>Special Revenue | Non-Major<br>Debt Service | Non-Major<br>Capital Projects | Total<br>Governmental<br>Funds |
|--|------------------------------|---------------------------|-------------------------------|--------------------------------|
| <u>Revenues:</u>                                     |                              |                           |                               |                                |
| Property taxes                                       | \$ 952,584.31                | \$ 1,704,811.10           | \$ -                          | \$ 2,657,395.41                |
| Intergovernmental                                    | 137,793.85                   | 124,535.20                | -                             | 262,329.05                     |
| Charges for services                                 | 132,537.90                   | -                         | -                             | 132,537.90                     |
| Interest income                                      | 244.77                       | 297.40                    | -                             | 542.17                         |
| Miscellaneous  | 27,439.05                    | 332,916.32                | 84,841.98                     | 445,197.35                     |
| Total Revenues                                       | \$ 1,250,599.88              | \$ 2,162,560.02           | \$ 84,841.98                  | \$ 3,498,001.88                |
| <u>Expenditures:</u>                                 |                              |                           |                               |                                |
| Current:   |                              |                           |                               |                                |
| General government                                   | \$ 306,836.02                | \$ -                      | \$ -                          | \$ 306,836.02                  |
| Public safety  | 55,702.88                    | -                         | -                             | 55,702.88                      |
| Health and welfare                                   | 12,308.98                    | -                         | -                             | 12,308.98                      |
| Conservation of natural resources                    | 778,697.34                   | -                         | -                             | 778,697.34                     |
| Capital Outlay                                       | -                            | -                         | 73,815.45                     | 73,815.45                      |
| Debt Service:  |                              |                           |                               |                                |
| Principal  | -                            | 1,885,097.51              | -                             | 1,885,097.51                   |
| Interest   | -                            | 361,916.98                | -                             | 361,916.98                     |
| Fiscal Charges                                       | -                            | 7,021.77                  | -                             | 7,021.77                       |
| Total Expenditures                                   | \$ 1,153,545.22              | \$ 2,254,036.26           | \$ 73,815.45                  | \$ 3,481,396.93                |
| Excess (Deficiency) of Revenues<br>Over Expenditures | \$ 97,054.66                 | \$ (91,476.24)            | \$ 11,026.53                  | \$ 16,604.95                   |
| <u>Other Financing Sources (Uses):</u>               |                              |                           |                               |                                |
| Transfers in   | \$ 2,065.99                  | \$ 1,565,907.31           | \$ -                          | \$ 1,567,973.30                |
| Transfers out  | -                            | (1,565,907.31)            | -                             | (1,565,907.31)                 |
| Total Other Financing Sources and Uses               | \$ 2,065.99                  | \$ -                      | \$ -                          | \$ 2,065.99                    |
| Net Change in Fund Balances                          | \$ 99,120.65                 | \$ (91,476.24)            | \$ 11,026.53                  | \$ 18,670.94                   |
| Fund Balance - January 1                             | \$ 1,736,152.95              | \$ 386,531.90             | \$ 110,728.17                 | \$ 2,233,413.02                |
| Fund Balance - December 31                           | \$ 1,835,273.60              | \$ 295,055.66             | \$ 121,754.70                 | \$ 2,252,083.96                |

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

GRAND FORKS COUNTY  
Grand Forks, North Dakota

SCHEDULE OF FUND ACTIVITY - CLIENT BASIS  
For the Year Ended December 31, 2017

|   | Balance<br>1-1-2017     | Revenues                | Transfers In           | Other<br>Fin. Sources | Transfers Out          | Expenditures            | Balance<br>12-31-2017   |
|---|-------------------------|-------------------------|------------------------|-----------------------|------------------------|-------------------------|-------------------------|
| <b>Major Funds:</b>                         |                         |                         |                        |                       |                        |                         |                         |
| General Fund (1000)                         | \$ 10,323,315.91        | \$ 21,012,628.35        | \$ 582.30              | \$ -                  | \$ 2,065.99            | \$ 19,078,245.17        | \$ 12,256,215.40        |
| County Road & Bridge (2140)                 | 1,328,038.52            | 4,101,620.28            | -                      | -                     | -                      | 3,836,797.03            | 1,592,861.77            |
| Highway Tax Distribution (2150)             | 939,753.81              | 3,463,110.18            | -                      | -                     | -                      | 3,311,598.55            | 1,091,265.44            |
| Social Services (2210)                      | 908,363.66              | 7,449,534.69            | -                      | -                     | 582.30                 | 7,857,316.05            | 500,000.00              |
| Emergency Fund (2910)                       | 1,129,431.46            | 76,052.37               | -                      | -                     | -                      | -                       | 1,205,483.83            |
| <b>Total Major Funds</b>                    | <b>\$ 14,628,903.36</b> | <b>\$ 36,102,945.87</b> | <b>\$ 582.30</b>       | <b>\$ -</b>           | <b>\$ 2,648.29</b>     | <b>\$ 34,083,956.80</b> | <b>\$ 16,645,826.44</b> |
| <b>Nonmajor Funds:</b>                      |                         |                         |                        |                       |                        |                         |                         |
| <b>Special Revenue Funds:</b>               |                         |                         |                        |                       |                        |                         |                         |
| County Reserve (2120)                       | \$ 941,683.51           | \$ 10,000.00            | \$ -                   | \$ -                  | \$ -                   | \$ -                    | \$ 951,683.51           |
| FEMA 2009 (2161)                            | 14,096.25               | -                       | -                      | -                     | -                      | -                       | 14,096.25               |
| FEMA 2010 (2162)                            | 2,746.11                | -                       | -                      | -                     | -                      | -                       | 2,746.11                |
| FEMA 2011 (2163)                            | 2,508.99                | -                       | -                      | -                     | -                      | -                       | 2,508.99                |
| Crime Prevention Fund (2505)                | 1,333.33                | -                       | -                      | -                     | -                      | 666.67                  | 666.66                  |
| Grand Forks Narcotics Task Force (2520)     | 13,743.10               | 6,764.00                | -                      | -                     | -                      | 10,933.24               | 9,573.86                |
| Keys Grant JABG - 2001 (2542)               | 9,588.64                | -                       | -                      | -                     | -                      | -                       | 9,588.64                |
| Victims Reparation Program (2550)           | 10,221.43               | 116.00                  | -                      | -                     | -                      | -                       | 10,337.43               |
| Veteran Service (2920)                      | 78,263.14               | 205,438.08              | -                      | -                     | -                      | 225,945.03              | 57,756.19               |
| NDSU Extension (2960)                       | 57,527.85               | 563,875.01              | -                      | -                     | -                      | 427,858.10              | 193,544.76              |
| Weed Control (2970)                         | 164,140.26              | 330,902.45              | -                      | -                     | -                      | 350,839.24              | 144,203.47              |
| Asset Forfeiture (2990)                     | 114,702.77              | 9,587.90                | -                      | -                     | -                      | -                       | 124,290.67              |
| Adult Drug Court (2991)                     | 11.64                   | -                       | -                      | -                     | -                      | -                       | 11.64                   |
| GFCSS Client Opportunity (6010)             | 90,599.03               | 1,215.92                | -                      | -                     | -                      | 12,308.98               | 79,505.97               |
| County Recorder Technology Fund (7001)      | 153,755.83              | 71,668.50               | -                      | -                     | -                      | 77,553.49               | 147,870.84              |
| County Park (8012)                          | 60,196.47               | -                       | -                      | -                     | -                      | -                       | 60,196.47               |
| Hazardous Chemicals (8027)                  | 7,805.91                | 4,312.50                | -                      | -                     | -                      | 604.25                  | 11,514.16               |
| Contract Policing (8094)                    | 3,132.25                | 38,300.48               | 2,065.99               | -                     | -                      | 43,498.72               | -                       |
| <b>Total Nonmajor Special Revenue Funds</b> | <b>\$ 1,726,056.51</b>  | <b>\$ 1,242,180.84</b>  | <b>\$ 2,065.99</b>     | <b>\$ -</b>           | <b>\$ -</b>            | <b>\$ 1,150,207.72</b>  | <b>\$ 1,820,095.62</b>  |
| <b>Debt Service Funds:</b>                  |                         |                         |                        |                       |                        |                         |                         |
| GO Bonds 1999 COB (4002)                    | \$ 283,584.86           | \$ 1,804,024.49         | \$ -                   | \$ -                  | \$ 1,235,983.85        | \$ 685,833.13           | \$ 165,792.37           |
| Mortgage Revenue Bonds 1998 (4003)          | 60,872.42               | 332,487.24              | -                      | -                     | 329,923.46             | 1,900.00                | 61,536.20               |
| Special Assessments (5000)                  | 23,751.20               | 11,745.50               | -                      | -                     | -                      | 97.51                   | 35,399.19               |
| Lease Revenue Bonds 2008 (off-book)         | -                       | 1.54                    | 329,923.46             | -                     | -                      | 329,925.00              | -                       |
| Lease Revenue Bonds 2013 (off-book)         | -                       | 72.28                   | 358,785.91             | -                     | -                      | 358,858.19              | -                       |
| Lease Revenue Bonds 2014 (off-book)         | -                       | 224.49                  | 877,197.94             | -                     | -                      | 877,422.43              | -                       |
| <b>Total Nonmajor Debt Service Funds</b>    | <b>\$ 368,208.48</b>    | <b>\$ 2,148,555.54</b>  | <b>\$ 1,565,907.31</b> | <b>\$ -</b>           | <b>\$ 1,565,907.31</b> | <b>\$ 2,254,036.26</b>  | <b>\$ 262,727.76</b>    |
| <b>Capital Projects Funds:</b>              |                         |                         |                        |                       |                        |                         |                         |
| Parking Ramp Maintenance (2989)             | \$ 110,728.17           | \$ 84,841.98            | \$ -                   | \$ -                  | \$ -                   | \$ 69,702.45            | \$ 125,867.70           |
| <b>Total Nonmajor Governmental Funds</b>    | <b>\$ 2,204,993.16</b>  | <b>\$ 3,475,578.36</b>  | <b>\$ 1,567,973.30</b> | <b>\$ -</b>           | <b>\$ 1,565,907.31</b> | <b>\$ 3,473,946.43</b>  | <b>\$ 2,208,691.08</b>  |
| <b>Total Governmental Funds</b>             | <b>\$ 16,833,896.52</b> | <b>\$ 39,578,524.23</b> | <b>\$ 1,568,555.60</b> | <b>\$ -</b>           | <b>\$ 1,568,555.60</b> | <b>\$ 37,557,903.23</b> | <b>\$ 18,854,517.52</b> |
| <b>Agency Funds:</b>                        |                         |                         |                        |                       |                        |                         |                         |
| County Fair (2410)                          | \$ 18.70                | \$ 489.19               | \$ -                   | \$ -                  | \$ -                   | \$ 502.03               | \$ 5.86                 |
| Extension Office Special (7015)             | 92,490.60               | 53,971.01               | -                      | -                     | -                      | 58,877.51               | 87,584.10               |
| State Tax (8001)                            | 42,221.88               | 295,047.93              | -                      | -                     | -                      | 277,151.40              | 60,118.41               |
| Airport Authority (8019)                    | 57,447.81               | 294,311.84              | -                      | -                     | -                      | 279,574.86              | 72,184.79               |
| Economic Development (2950)                 | 44,789.74               | 328,245.45              | -                      | -                     | -                      | 312,269.64              | 60,765.55               |
| Health District (2965)                      | 176,875.67              | 456,181.96              | -                      | -                     | -                      | 504,721.00              | 128,336.63              |
| County Library Services (8007)              | 92,438.27               | 715,378.05              | -                      | -                     | -                      | 673,193.81              | 134,622.51              |
| Fines-State School Fund (8003)              | 750.00                  | -                       | -                      | -                     | -                      | 750.00                  | -                       |
| Domestic Violence (8004)                    | 945.00                  | 16,410.00               | -                      | -                     | -                      | 16,165.00               | 1,190.00                |
| Historical Society (2310)                   | 9,301.99                | 68,018.85               | -                      | -                     | -                      | 64,686.05               | 12,634.79               |
| Senior Citizens (2350)                      | 42,221.76               | 543,047.56              | -                      | -                     | -                      | 525,151.70              | 60,117.62               |
| Garrison Diversion (8005)                   | 42,222.31               | 309,422.57              | -                      | -                     | -                      | 291,525.05              | 60,119.83               |
| Water Resource District (8006)              | 116,550.45              | 840,974.71              | -                      | -                     | -                      | 812,384.94              | 145,140.22              |
| Red River Joint Board (8008)                | 84,445.14               | 585,704.68              | -                      | -                     | -                      | 585,559.26              | 84,590.56               |
| Ambulance Fund (8010)                       | 253,333.44              | 1,868,204.62            | -                      | -                     | -                      | 1,760,826.95            | 360,711.11              |

Continued on next page....

GRAND FORKS COUNTY  
Grand Forks, North Dakota

SCHEDULE OF FUND ACTIVITY - CLIENT BASIS  
For the Year Ended December 31, 2017

|  | Balance<br>1-1-2017 | Revenues          | Transfers In    | Other<br>Fin. Sources | Transfers Out   | Expenditures      | Balance<br>12-31-2017 |
|--|---------------------|-------------------|-----------------|-----------------------|-----------------|-------------------|-----------------------|
| CONTINUED                                |                     |                   |                 |                       |                 |                   |                       |
| <u>Agency Funds:</u>                     |                     |                   |                 |                       |                 |                   |                       |
| State Aid (8011)                         | \$ -                | \$ 2,798,298.74   | \$ -            | \$ -                  | \$ -            | \$ 2,798,298.74   | \$ -                  |
| Paid Under Protest (8014)                | 332.90              | -                 | -               | -                     | -               | -                 | 332.90                |
| Prepaid Taxes (8015)                     | 301.11              | 204,522.17        | -               | -                     | -               | 143,754.18        | 61,069.10             |
| Bond Money (8018)                        | 450.00              | 93,991.36         | -               | -                     | -               | 93,991.36         | 450.00                |
| GF County Bonds (8020)                   | 6,050.00            | 146,400.00        | -               | -                     | -               | 147,050.00        | 5,400.00              |
| AFLAC-Flexible Spending (8028)           | 65,507.18           | 242,490.21        | -               | -                     | -               | 140,946.64        | 167,050.75            |
| Electric Tax (8029)                      | (145,760.17)        | -                 | -               | -                     | -               | (145,760.17)      | -                     |
| Homestead Credit (8030)                  | -                   | 831,476.55        | -               | -                     | -               | 831,476.55        | -                     |
| Disabled Veterans Credit (8031)          | -                   | 593,623.35        | -               | -                     | -               | 593,623.35        | -                     |
| 12% Property Tax Relief (8032)           | -                   | 10,792,118.48     | -               | -                     | -               | 10,792,118.48     | -                     |
| Telecommunications Tax (8036)            | -                   | 667,387.14        | -               | -                     | -               | 667,387.14        | -                     |
| Road & Bridge Townships (8041)           | -                   | 227,544.64        | -               | -                     | -               | 227,544.64        | -                     |
| State Game & Fish Tax (8045)             | -                   | 16,460.77         | -               | -                     | -               | 16,460.77         | -                     |
| Waterfowl Protection (8046)              | -                   | 11,275.00         | -               | -                     | -               | 11,275.00         | -                     |
| ND State Land Department (8054)          | -                   | 291.23            | -               | -                     | -               | 291.23            | -                     |
| GFC Soil Conservation District (8063)    | 39,596.57           | 292,721.77        | -               | -                     | -               | 277,613.25        | 54,705.09             |
| BRIC-OEA Grant (8077)                    | 1,021,936.99        | 862,824.44        | -               | -                     | -               | 1,684,318.21      | 200,443.22            |
| Sheriff's Trust (8082)                   | 4,761.38            | 79,640.83         | -               | -                     | -               | 79,502.20         | 4,900.01              |
| Social Service Special Depository (8086) | 29,039.39           | 168,065.84        | -               | -                     | -               | 154,629.97        | 42,475.26             |
| HIDA-Special Deposit (8087)              | 90.13               | 4,305.60          | -               | -                     | -               | 4,352.84          | 42.89                 |
| Game and Fish (8088)                     | 2,654.50            | -                 | -               | -                     | -               | -                 | 2,654.50              |
| GF City Unpaid Specials (8090)           | 39,954.79           | 157,322.01        | -               | -                     | -               | 78,554.89         | 118,721.91            |
| Payroll Deductions                       | 4,488.40            | 11,537,703.74     | -               | -                     | -               | 11,537,707.09     | 4,485.05              |
| Total Cities                             | 3,727,607.28        | 30,763,042.54     | -               | -                     | -               | 29,484,638.91     | 5,003,948.19          |
| Total Parks                              | 1,106,082.34        | 8,812,979.27      | -               | -                     | -               | 8,380,897.21      | 1,538,164.40          |
| Total Townships                          | 270,318.44          | 1,242,812.53      | -               | -                     | -               | 1,142,846.90      | 370,284.07            |
| Total School Districts                   | 4,149,759.40        | 28,346,663.28     | -               | -                     | -               | 26,692,697.14     | 5,803,725.54          |
| Total Drains                             | 130,805.85          | 430,157.11        | -               | -                     | -               | 399,527.51        | 161,435.45            |
| Total Fire Districts                     | 80,225.44           | 387,404.37        | -               | -                     | -               | 360,277.38        | 107,352.43            |
| Total Agency Funds                       | \$ 11,590,254.68    | \$ 106,086,931.39 | \$ -            | \$ -                  | \$ -            | \$ 102,759,360.61 | \$ 14,915,762.74      |
| Total Primary Government                 | \$ 28,424,151.20    | \$ 145,665,455.62 | \$ 1,568,555.60 | \$ -                  | \$ 1,568,555.60 | \$ 140,317,263.84 | \$ 33,770,280.26      |

GRAND FORKS COUNTY  
Grand Forks, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2017

| Federal Grantor/<br>Pass-Through Grantor/<br>Program Title  | Federal<br>CFDA<br>Number | Expenditures    |
|---|---------------------------|-----------------|
| <u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:</u>  |                           |                 |
| <u>Passed Through State Department of Human Services:</u>   |                           |                 |
| Foster Grandparent Program  | 94.011                    | \$ 8,508.00     |
| <u>U.S. DEPARTMENT OF JUSTICE:</u>  |                           |                 |
| <u>Passed Through State's Department of Health:</u>   |                           |                 |
| Violence Against Women Formula Grants   | 16.588                    | \$ 20,064.67    |
| <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 VII, Chapter 3, Programs for Prevention of Elder Abuse,<br>Neglect, and Exploitation | 93.041                    | \$ 1,040.00     |
| Special Programs for the Aging-Title III, Part B_Grants for Supportive Services and Senior Centers                        | 93.044                    | 975.00          |
| Special Programs for the Aging-Title III, Part C-Nutrition Services   | 93.045                    | 325.00          |
| Promoting Safe and Stable Families  | 93.556                    | 42,087.87       |
| Temporary Assistance for Needy Families   | 93.558                    | 504,177.02      |
| Child Support Enforcement   | 93.563                    | 81,793.36       |
| Child Care and Development Block Grant  | 93.575                    | 6,086.80        |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund  | 93.596                    | 27,151.49       |
| Stephanie Tubbs Jones Child Welfare Services Program  | 93.645                    | 23,468.47       |
| Foster Care-Title IV-E  | 93.658                    | 478,946.82      |
| Adoption Assistance   | 93.659                    | 6,225.11        |
| Maternal and Child Health Services Block Grant to the States  | 93.994                    | 8,179.15        |
| National Family Caregiver Support, Title III, Part E  | 93.052                    | 1,693.00        |
| Total U.S. Department of Health and Human Services  |                           | \$ 1,182,149.09 |
| <u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>  |                           |                 |
| <u>Passed Through State Department of Emergency Services:</u>   |                           |                 |
| Emergency Management Performance Grants   | 97.042                    | \$ 94,187.12    |
| Homeland Security Grant Program   | 97.067                    | 8,440.50        |
| Total U.S. Department of Homeland Security  |                           | \$ 102,627.62   |
| <u>U.S. DEPARTMENT OF THE INTERIOR:</u>   |                           |                 |
| <u>Passed Through Fish and Wildlife Service:</u>  |                           |                 |
| Wildlife Restoration and Basic Hunter Education   | 97.042                    | \$ 16,610.77    |
| <u>U.S. DEPARTMENT OF TRANSPORTATION:</u>   |                           |                 |
| <u>Passed Through State Highway Department:</u>   |                           |                 |
| National Safety Priority Program  | 20.616                    | \$ 17,295.70    |
| Total Expenditures of Federal Awards  |                           | \$ 1,347,255.85 |

\*\* - Major program

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GRAND FORKS COUNTY  
Grand Forks, North Dakota

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
December 31, 2017

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**NOTE 1: BASIS OF PRESENTATION / ACCOUNTING**

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, 2017. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of Grand Forks County, it is not intended to and does not present the financial position or changes in net position of Grand Forks County. Expenditures represent only the federally funded portions of the program. County records should be consulted to determine amounts expended or matched from non-federal sources.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 3: NOT AVAILABLE (N/A)**

Grand Forks County was unable to obtain other identification number.

**STATE AUDITOR**

JOSHUA C. GALLION  
Phone (701) 328-2241



Local Government Division:

FARGO OFFICE  
MANAGER – DAVID MIX  
Phone: (701) 239-7252

STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
STATE CAPITOL  
600 E. BOULEVARD AVENUE - DEPT. 117  
BISMARCK, NORTH DAKOTA 58505

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

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Independent Auditor's Report

Board of County Commissioners  
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, 2017, 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 June 20, 2018.

**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

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### **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.

/s/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
June 20, 2018

**STATE AUDITOR**

JOSHUA C. GALLION  
Phone (701) 328-2241



Local Government Division:

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MANAGER – DAVID MIX  
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STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
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600 E. BOULEVARD AVENUE - DEPT. 117  
BISMARCK, NORTH DAKOTA 58505

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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**

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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, 2017. 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, 2017.

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## **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

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### **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, 2017, and have issued our report thereon dated June 20, 2018, 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.

/s/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
June 20, 2018

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GRAND FORKS COUNTY  
Grand Forks, North Dakota  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2017

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**Section I - Summary of Auditor's Results**

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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 |
|---|------------|

|  |           |                 |
|--|-----------|-----------------|
| Any audit findings disclosed that are required to be reported in accordance with CFR §200.516? | _____ Yes | <u>  X  </u> No |
|--|-----------|-----------------|

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> |
|---|------------------|

|  |                  |          |
|--|------------------|----------|
| Auditee qualified as low-risk auditee? | <u>  X  </u> Yes | _____ No |
|--|------------------|----------|

**Section II – Financial Statement Findings**

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No matters reported.

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

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No matters reported.

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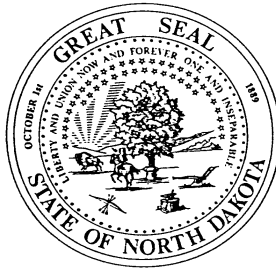
You may obtain audit reports on the internet at:

[www.nd.gov/auditor/](http://www.nd.gov/auditor/)

or by contacting the  
Division of Local Government Audit

Office of the State Auditor  
600 East Boulevard Avenue – Department 117  
Bismarck, ND 58505-0060

(701) 328-2220



# Grand Forks County

Grand Forks, North Dakota

## Management's Letter

For the Year Ended December 31, 2017

**JOSHUA C. GALLION**  
**STATE AUDITOR**

Office of the State Auditor  
Division of Local Government

**STATE AUDITOR**

JOSHUA C. GALLION  
Phone (701) 328-2241



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**OFFICE OF THE STATE AUDITOR**  
STATE CAPITOL  
600 E. BOULEVARD AVENUE - DEPT. 117  
BISMARCK, NORTH DAKOTA 58505

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, 2017, and have issued our report thereon dated June 20, 2018. 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 The Uniform Guidance**

As stated in our engagement letter dated April 5, 2018, 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, 2017. 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 June 20, 2018.

**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.

/s/  
Joshua C. Gallion  
State Auditor  
  
Fargo, North Dakota  
June 20, 2018