

Minutes of the Grand Forks City Council

servicing as Audit Committee – Monday, July 14, 2025 – 4:30 p.m.

The City Council serving as the Audit Committee met on Monday, July 14, 2025 at 4:30 p.m. in the Second Floor Conference Room in City Hall with President Sande presiding. Present at roll call: Sande, Osowski, Berg, Vein - 4. Absent: Weigel, Lunski, Fridolfs - 3. (Lunski joined the meeting at 4:35 p.m.)

1. Annual Comprehensive Financial Report of the City of Grand Forks for the Year Ended December 31, 2024.

Brian Opsahl, Brady Martz, stated that they have completed the annual audit of the financial statements of the City and have issued an unmodified (clean) opinion on the statements.

Opsahl reviewed the contents of the Comprehensive Annual Financial Report which includes basic information on the City, the audit opinion, a management discussion section which includes highlights of events that have occurred in the year, the financial statements including narrative notes which further explain the information contained in the financial statements, individual fund statements, and statistical information.

Opsahl explained that receiving an unmodified (clean) opinion means that in the opinion of the auditors the financial statements comply with Government Accounting Standards and fairly and accurately represent the financial position of the City of Grand Forks. He reported that there were no difficulties working with management on this years engagement. He provided information on a new government accounting standard relating to accounting for uncompensated absences that is being implemented with the 2024 report. The new standard creates a negative impact on the statements for accounting purposes.

Opsahl also provided information on the increased use of electronic transactions and associated fraud that can occur, which are now part of the review for internal controls and that we have a policy that if a written request is received requiring changes in banking information, the City has a policy to follow-up independently with a phone call to a confirmed valid number for the vendor to confirm the requested change.

Opsahl also pointed out that the City books include information on the Airport, however a separate audit of the airport is conducted annually. There were no concerns with this years audit of the airport.

Opsahl reviewed various areas of the report with the committee. The Management Discussion and Analysis provides a high level snapshot of the financial picture of the city. The city has a healthy financial position, with a current unassigned fund balance of 39%, which is higher than the fund balance policy of 18%. Storstad commented that is a different percentage than will be seen in budget presentations, as the budget presented will not include capital and planned uses of cash. Budget presentations will show about 30%, and a plan to keep a 24-25% balance. Mayor commented that is important especially with the new

3% cap put in place by the legislature, so that we have enough to cover unexpected events that may occur. All funds have a positive net position. He provided a brief explanation of information contained in each section of the annual report, encouraging Council Members to review information in the Statistical Section as it provides good information on trends and statistics for the City.

The City's report also includes information on the Alerus Center, which is also audited separately. Handouts were provided showing Alerus Center information and Opsahl explained how that gets combined into the City report. Overall, results for the Alerus Center were positive. Maureen noted that they do carry a cash balance, which is intended to help offset those years that are not as active, such as 2025 which is projecting a loss due to the remodel of the convention center portion of the building that is undergoing a renovation. The projected loss is \$500,000, which is believed to be a conservative figure.

Opsahl reviewed the Independent Auditor's Report (Schedule of Expenditures of Federal Awards (SEFA)), which includes a listing of all federal funds disbursed to the City in 2025. As part of the audit process, Brady Martz conducts testing of the expenditures to ensure that they are all done in compliance with federal regulations and to evaluate internal controls to ensure that they are adequate. The program tested this year was the CDBG and DOT funds. The results of the testing are an unmodified clean opinion, with one finding noted that due to staff turnover, notification on subrecipient allocation was not made timely to the federal agency, which management has addressed and implemented controls to address this moving forward. The government has this requirement to show that funds are not getting spent twice. Overall, there were no issues detected with the expenditure of the \$74 million in federal funds awarded to the City during the year.

A copy of the Popular Annual Financial Report (PAFR) was also distributed to City Council. This is an unaudited document that presents financial information in an easily understandable format for citizens.

**Motion by Osowski, Second by Berg to receive the report and move to City Council.
Motion passed unanimously.**

Motion by Osowski, Second by Berg to adjourn at 5:00 p.m.

Respectfully submitted,
Sherie Lundmark, City Clerk