



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Cavalier County

Langdon, North Dakota

Audit Report for the Year Ended December 31, 2019

Client Code: PS10000



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Office of the
State Auditor

CAVALIER COUNTY

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CAVALIER COUNTY

County Officials and Audit Personnel
December 31, 2019

COUNTY OFFICIALS

Nick Moser
Austin Lafrenz
Greg Goodman
David Zeis
Stanley Dick

Commissioner – Chairman
Commissioner – Vice Chairman
Commissioner
Commissioner
Commissioner

Lisa Gellner
Cynthia Stremick
Greg Fetsch
Vicki Kubat
R. Scott Stewart
Anita Beauschamp
Terry Johnston
Karen Kempert

Auditor
Treasurer
Sheriff
County Recorder
State's Attorney
Clerk of Court
Road Supervisor
Emergency Manager

AUDIT PERSONNEL

Heath Erickson, CPA
Peishan Merrick

Audit Manager
Audit In-Charge



INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Cavalier County
Langdon, 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 Cavalier County, North Dakota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Cavalier 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 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 Cavalier County, North Dakota, as of December 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *budgetary comparison schedules, schedule of employer's share of net pension liability and employer contributions, schedule of employer's share of net OPEB liability and employer contributions, and notes to the required supplementary information*, as listed in the table of contents 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.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2020 on our consideration of Cavalier 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 Cavalier County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
December 21, 2020

CAVALIER COUNTY

Statement of Net Position

December 31, 2019

	Primary Government	
	Governmental Activities	Component Units
ASSETS		
Cash, Cash Equivalents and Investments	\$ 7,588,987	\$ 1,013,141
Other Assets	-	1,922
Accounts Receivable	7,530	1,700
Intergovernmental Receivable	143,415	-
Road Accounts Receivable	24,403	-
Taxes Receivable	74,901	9,458
Loans Receivable	76,554	294,935
Capital Assets		
Nondepreciable	30,000	-
Depreciable, Net	14,246,376	1,620,943
Total Assets	\$ 22,192,166	\$ 2,942,099
DEFERRED OUTFLOWS OF RESOURCES		
Derived from Pensions and OPEB	\$ 1,099,186	\$ 100,006
LIABILITIES		
Accounts Payable	\$ 88,030	\$ -
Grants Received in Advance	223,756	-
Salaries and Benefits Payable	3,607	7,478
City Loans Payable	-	245,101
Interest Payable	8,978	-
Long-Term Liabilities		
Due Within One Year		
Long-Term Debt	230,402	13,500
Compensated Absences	27,153	4,078
Due Outside One Year		
Long-Term Debt	753,681	6,500
Compensated Absences	244,376	36,705
Net Pension & OPEB Liability	2,495,707	208,887
Total Liabilities	\$ 4,075,690	\$ 522,249
DEFERRED INFLOWS OF RESOURCES		
Taxes Received in Advance	\$ 1,261,326	\$ -
Derived from Pensions and OPEB	1,222,206	103,198
Total Deferred Inflows of Resources	\$ 2,483,532	\$ 103,198
NET POSITION		
Net Investment in Capital Assets	\$ 13,292,293	\$ 1,620,943
Restricted		
Highways & Bridges	1,712,046	-
Health & Welfare	-	142,843
Culture & Recreation	-	81,315
Conservation of Natural Resources	59,056	511,564
Emergencies	97,225	-
Economic Development	-	59,993
Unrestricted	1,571,510	-
Total Net Position	\$ 16,732,130	\$ 2,416,658

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

CAVALIER COUNTY

Statement of Activities

For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Fees, Fines, Forfeits & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Units
Primary Government						
Governmental Activities						
General Government	\$ 1,914,460	\$ 116,519	\$ 63,616	\$ -	\$ (1,734,325)	
Public Safety	1,401,208	323,588	153,813	-	(923,807)	
Highways & Bridges	2,388,585	243,221	539,920	527,157	(1,078,287)	
Health & Welfare	1,100,235	40,274	952,828	-	(107,133)	
Flood Repair	217,871	-	270,029	-	52,158	
Conservation of Natural Resources	305,384	6,086	8,768	-	(290,530)	
Other	26,500	-	-	-	(26,500)	
Interest and Fees on Long-Term Debt	18,723	-	-	-	(18,723)	
Total Governmental Activities	<u>\$ 7,372,966</u>	<u>\$ 729,688</u>	<u>\$ 1,988,974</u>	<u>\$ 527,157</u>	<u>\$ (4,127,147)</u>	
Component Units						
Governmental Activities						
Water Resource District	\$ 412,202	\$ 320,899	\$ -	\$ -	\$ -	\$ (91,303)
Health District	431,531	69,853	320,269	-	-	(41,409)
Job Development Authority	315,795	5,436	42,000	-	-	(268,359)
County Library	113,757	1,587	11,203	-	-	(100,967)
Total Component Units	<u>\$ 1,273,285</u>	<u>\$ 397,775</u>	<u>\$ 373,472</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (502,038)</u>
General Revenues						
Property taxes					\$ 3,650,232	\$ 458,477
Sales taxes					-	18,849
Nonrestricted Grants and Contributions					557,148	-
Unrestricted investment earnings					68,293	9,270
Loss on Sale of Capital Asset					(30,660)	-
Miscellaneous revenue					91,811	38,828
Total General Revenues					<u>\$ 4,336,824</u>	<u>\$ 525,424</u>
Change in Net Position					<u>\$ 209,677</u>	<u>\$ 23,386</u>
Net Position - January 1					\$ 16,522,453	\$ 2,391,119
Prior Period Adjustment					-	2,153
Net Position - January 1, as restated					<u>\$ 16,522,453</u>	<u>\$ 2,393,272</u>
Net Position - December 31					<u>\$ 16,732,130</u>	<u>\$ 2,416,658</u>

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

CAVALIER COUNTY

Balance Sheet – Governmental Funds
 December 31, 2019

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 3,613,033	\$ 3,975,954	\$ 7,588,987
Accounts Receivable	7,530	-	7,530
Intergovernmental Receivable	142,692	723	143,415
Loan Receivables	76,554	-	76,554
Road Receivables	-	24,403	24,403
Taxes Receivable	33,493	41,408	74,901
Total Assets	<u>\$ 3,873,302</u>	<u>\$ 4,042,488</u>	<u>\$ 7,915,790</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 10,206	\$ 77,824	\$ 88,030
Salaries Payable	3,607	-	3,607
Grants Received in Advance	-	223,756	223,756
Total Liabilities	<u>\$ 13,813</u>	<u>\$ 301,580</u>	<u>\$ 315,393</u>
Deferred Inflows of Resources			
Road Receivables	\$ -	\$ 24,403	\$ 24,403
Taxes Received in Advance	596,706	664,620	1,261,326
Taxes Receivable	33,493	41,408	74,901
Total Deferred Inflows of Resources	<u>\$ 630,199</u>	<u>\$ 730,431</u>	<u>\$ 1,360,630</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 644,012</u>	<u>\$ 1,032,011</u>	<u>\$ 1,676,023</u>
Fund Balances			
Nonspendable			
Loan Receivable	\$ 76,554	\$ -	\$ 76,554
Restricted			
General Government	-	11,445	11,445
Public Safety	-	339,220	339,220
Highways & Bridges	-	2,239,288	2,239,288
Health & Welfare	-	161,670	161,670
Conservation of Natural Resources	-	161,884	161,884
Emergencies	-	96,970	96,970
Unassigned	3,152,736	-	3,152,736
Total Fund Balances	<u>\$ 3,229,290</u>	<u>\$ 3,010,477</u>	<u>\$ 6,239,767</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,873,302</u>	<u>\$ 4,042,488</u>	<u>\$ 7,915,790</u>

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

CAVALIER COUNTY

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position

December 31, 2019

Total Fund Balances - Governmental Funds	\$ 6,239,767
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Total *net position* reported for government activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.	14,276,376
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Certain receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflow of resources in the funds.

Property Taxes Receivable	\$ 74,901	
Road Department Accounts Receivable	<u>24,403</u>	99,304

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

Deferred Outflows Related to Pensions and OPEB	\$ 1,099,186	
Deferred Inflows Related to Pensions and OPEB	<u>(1,222,206)</u>	(123,020)

Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.

Loans Payable	\$ (984,083)	
Interest Payable	(8,978)	
Compensated Absences Payable	(271,529)	
Net Pension and OPEB Liability	<u>(2,495,707)</u>	<u>(3,760,297)</u>

Total Net Position of Governmental Activities	<u>\$ 16,732,130</u>
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The notes to the financial statements are an integral part of this statement.

CAVALIER COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

For the Year Ended December 31, 2019

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 1,589,854	\$ 2,053,704	\$ 3,643,558
Intergovernmental	758,443	1,787,679	2,546,122
Charges for Services	328,699	423,876	752,575
Licenses, Permits and Fees	860	-	860
Interest Income	68,293	-	68,293
Miscellaneous	71,586	20,225	91,811
Total Revenues	\$ 2,817,735	\$ 4,285,484	\$ 7,103,219
EXPENDITURES			
Current			
General Government	\$ 1,827,102	\$ 10,132	\$ 1,837,234
Public Safety	1,226,165	87,082	1,313,247
Highways & Bridges	-	2,348,651	2,348,651
Health & Welfare	54,199	1,017,659	1,071,858
Flood Repair	-	217,871	217,871
Conserv. of Natural Resources	-	314,714	314,714
Other	26,500	-	26,500
Debt Service			
Principal	78,862	189,725	268,587
Interest	8,762	11,111	19,873
Total Expenditures	\$ 3,221,590	\$ 4,196,945	\$ 7,418,535
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (403,855)	\$ 88,539	\$ (315,316)
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ 36,886	\$ 1,935,779	\$ 1,972,665
Loan/Debt Proceeds	-	428,814	428,814
Transfers Out	-	(1,972,665)	(1,972,665)
Total Other Financing Sources and Uses	\$ 36,886	\$ 391,928	\$ 428,814
Net Change in Fund Balances	\$ (366,969)	\$ 480,467	\$ 113,498
Fund Balances - January 1	\$ 3,596,259	\$ 2,530,010	\$ 6,126,269
Fund Balances - December 31	\$ 3,229,290	\$ 3,010,477	\$ 6,239,767

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

CAVALIER COUNTY

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2019

Net Change in Fund Balances - Total Governmental Funds **\$ 113,498**

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

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

Capital Outlay	\$ 952,476	
Capital Contribution	527,157	
Depreciation Expense	<u>(929,450)</u>	550,183

In the statement of activities, only the loss on disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. (30,660)

Repayment of long-term debt is an expenditure in the governmental funds, but reduces long-term debt in the statement of net position. The issuance of long-term debt is reported as other financing sources in the governmental funds, but increases liabilities on the statement of net position.

Issuance of Loans	\$ (428,814)	
Repayment of Long-Term Debt	<u>268,587</u>	(160,227)

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

Decrease in Interest Payable	\$ 1,150	
Decrease in Compensated Absences Payable	<u>34,025</u>	35,175

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

Decrease in Net Pension & OPEB Liability	\$ 949,868	
Decrease in Deferred Outflows of Resources Related to Pensions	(247,757)	
Increase in Deferred Inflows of Resources Related to Pensions	<u>(983,330)</u>	(281,219)

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.

Increase in Taxes Receivable	\$ 6,674	
Decrease in Road Receivables	<u>(23,747)</u>	<u>(17,073)</u>

Change in Net Position of Governmental Activities **\$ 209,677**

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

CAVALIER COUNTY

Combining Statement of Net Position – Discretely Presented Component Units

For the Year Ended December 31, 2019

	Water Resource District	Health District	Job Development Authority	County Library	Total
ASSETS					
Cash, Cash Equivalents and Investments	\$ 506,667	\$ 326,114	\$ 96,763	\$ 83,597	\$ 1,013,141
Other Assets	1,922	-	-	-	1,922
Accounts Receivable	1,700	-	-	-	1,700
Taxes Receivable	2,435	1,173	3,799	2,051	9,458
Loans Receivable	-	-	294,935	-	294,935
Capital Assets					
Depreciable, Net	1,615,001	-	-	5,942	1,620,943
Total Assets	\$ 2,127,725	\$ 327,287	\$ 395,497	\$ 91,590	\$ 2,942,099
DEFERRED OUTFLOWS OF RESOURCES					
Derived from Pensions and OPEB	\$ -	\$ 73,022	\$ 26,984	\$ -	\$ 100,006
LIABILITIES					
City Loans Payable	\$ -	\$ -	\$ 245,101	\$ -	\$ 245,101
Payroll Liabilities	1,160	4,673	1,645	-	7,478
Long-Term Liabilities					
Due Within One Year					
Long-Term Debt	-	-	13,500	-	13,500
Compensated Absences	-	2,797	848	433	4,078
Due Outside One Year					
Long-Term Debt	-	-	6,500	-	6,500
Compensated Absences	-	25,176	7,629	3,900	36,705
Net Pension & OPEB Liability	-	150,268	58,619	-	208,887
Total Liabilities	\$ 1,160	\$ 182,914	\$ 333,842	\$ 4,333	\$ 522,249
DEFERRED INFLOWS OF RESOURCES:					
Derived from Pensions and OPEB	\$ -	\$ 74,552	\$ 28,646	\$ -	\$ 103,198
Total Deferred Inflows of Resources	\$ -	\$ 74,552	\$ 28,646	\$ -	\$ 103,198
NET POSITION					
Net Investment in Capital Assets	\$ 1,615,001	\$ -	\$ -	\$ 5,942	\$ 1,620,943
Restricted					
Health & Welfare	-	142,843	-	-	142,843
Conservation of Natural Resources	511,564	-	-	-	511,564
Economic Development	-	-	59,993	-	59,993
Culture & Recreation	-	-	-	81,315	81,315
Total Net Position	\$ 2,126,565	\$ 142,843	\$ 59,993	\$ 87,257	\$ 2,416,658

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

CAVALIER COUNTY

Combining Statement of Activities – Discretely Presented Component Units
For the Year Ended December 31, 2019

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Water Resource	Health District	Job Development Authority	County Library	Total
Component Units								
Governmental Activities								
Water Resource District	\$ 412,202	\$ 320,899	\$ -	\$ (91,303)	\$ -	\$ -	\$ -	\$ (91,303)
Health District	431,531	69,853	320,269	-	(41,409)	-	-	(41,409)
Job Development Authority	315,795	5,436	42,000	-	-	(268,359)	-	(268,359)
County Library	113,757	1,587	11,203	-	-	-	(100,967)	(100,967)
Total Component Units	\$ 1,273,285	\$ 397,775	\$ 373,472	\$ (91,303)	\$ (41,409)	\$ (268,359)	\$ (100,967)	\$ (502,038)
General Revenues								
Property Taxes				\$ 119,154	\$ 56,630	\$ 182,936	\$ 99,757	\$ 458,477
Sales Tax				-	-	18,849	-	18,849
Unrestricted Investment & Interest Earnings				6,939	1,369	2	960	9,270
Miscellaneous revenue				11,274	-	25,313	2,241	38,828
Total General Revenues				\$ 137,367	\$ 57,999	\$ 227,100	\$ 102,958	\$ 525,424
Change in Net Position				\$ 46,064	\$ 16,590	\$ (41,259)	\$ 1,991	\$ 23,386
Net Position - January 1				\$ 2,080,501	\$ 126,253	\$ 101,252	\$ 83,113	\$ 2,391,119
Prior Period Adjustments				\$ -	\$ -	\$ -	\$ 2,153	\$ 2,153
Net Assets - January 1, as restated				\$ 2,080,501	\$ 126,253	\$ 101,252	\$ 85,266	\$ 2,393,272
Net Position - December 31				\$ 2,126,565	\$ 142,843	\$ 59,993	\$ 87,257	\$ 2,416,658

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

CAVALIER COUNTY

Statement of Fiduciary Assets and Liabilities – Agency Funds
December 31, 2019

ASSETS

Cash and Cash Equivalents

\$ 2,662,337

LIABILITIES

Due to Other Governments

\$ 2,662,337

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

CAVALIER COUNTY

Notes to the Financial Statements
For the Year Ended December 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Component Units

In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity of the government-wide statements as aggregate discretely presented component units.

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

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

Cavalier County District Health District ("Health District")- The Health District's governing board is appointed by the County's governing board. The County's governing body has the authority to disapprove, amend or modify the Health District's budget.

Cavalier County Job Development Authority ("Job Development Authority") - The County's governing board approves the Job Development Authority's tax levies. The County's governing body has the authority to disapprove, amend or modify the job development authority's budget. The County commissioners approve all Job Development Authority board member appointments.

Cavalier County Library ("Library")- The County's governing board approves the Library's tax levies. The County's governing body has the authority to disapprove, amend or modify the Library's budget. The County commissioners approve all Library board member appointments.

Basis of Presentation

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

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

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

The County reports the following major governmental funds:

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

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

Additionally, the County reports the following 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.

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 the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar item are recognized as revenue as soon as all eligibility requirements imposed by the provider 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 general revenues.

CAVALIER COUNTY

Notes to the Financial Statements – Continued

Cash and Investments

Cash includes amounts in demand deposits, money market accounts, and certificates of deposit with a maturity of 3 months or less. Investments consist of certificates of deposit with a maturity of more than three months.

Capital Assets

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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets is not capitalized.

Major outlays for capital assets and improvements will be capitalized as projects are constructed. Capital assets per policy will be depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings/County Shops	50 - 100
Building Improvements	25
Equipment	5 - 20
Vehicles	5
Infrastructure	25

Compensated Absences

Vacation leave is earned at the rate of one to two days per month by County employees depending on years of service. Sick leave benefits are earned by full-time employees at the rate of one day per month regardless of the years of service. Unused sick leave benefits will be allowed to accumulate to an unlimited amount. Up to 240 hours of vacation may be carried over at year-end. Employees are entitled to be paid for 10% of sick leave upon termination of employment and all vacation leave accrued to the date of termination. A liability for the vested or accumulated vacation and sick leave is reported in government-wide statement of net position.

Long-Term Obligations

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

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

Pension

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

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, 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.

CAVALIER COUNTY

Notes to the Financial Statements – Continued

Fund Balances

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

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

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

Net Position

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

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

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

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

Interfund Transactions

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

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

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

NOTE 2 PRIOR PERIOD ADJUSTMENTS

Discretely Presented Component Units

Cavalier County Job Development Authority

A prior period adjustment was necessary for the Cavalier County Job Development Authority for the beginning balance of loans receivable that had been written off in a prior year.

Library	Amounts
Beginning Net Position, as previously reported	\$ 83,113
Adjustments to restate the January 1, 2019 Net Position:	
MAB Fund Balance Adjustment	2,153
Net Position January 1, as restated	\$ 85,266

NOTE 3 DEPOSITS**Custodial Credit Risk**

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

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

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

Primary Government

At year ended December 31, 2019, the County's carrying amount of deposits totaled \$10,158,491, and the bank balances totaled \$10,364,100. Of the bank balances, \$750,000 was covered by Federal Depository Insurance and \$47,512 was held at the Bank of North Dakota (not requiring collateralization). The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

Discretely Presented Component Units

The Water Resource District's carrying amount of deposits totaled \$506,126 and the bank balances totaled \$544,463, all of which was covered by Federal Depository Insurance.

The Health District's The carrying value of deposits totaled \$326,114 and the bank balances totaled \$329,256, all of was covered by Federal Depository Insurance.

The Job Development Authority's carrying amount of deposits totaled \$96,762 and the bank balances totaled \$97,563, all of which was covered by Federal Depository Insurance.

The Library's carrying amount of deposits totaled \$83,597 and bank balances totaled \$87,661, all of which was covered by Federal Depository Insurance.

NOTE 4 PROPERTY TAXES

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

CAVALIER COUNTY

Notes to the Financial Statements – Continued

NOTE 5 LOANS RECEIVABLE**Primary Government**

The County's loans receivable consists of amounts due from various cities and townships within the County for the Vanguard Reappraisal project. The County paid for the project initially by taking out a loan. The County will be paid back by the entities involved over a five-year period.

Discretely Presented Component Units

JDA city loans receivable consist of amounts due from various businesses within the County on behalf of the city for economic development loans that the Cavalier County Job Development Authority (JDA) administers on behalf of the city, as well as loans issued to various businesses by the JDA from their portion of the tax levy.

NOTE 6 CAPITAL ASSETS**Primary Government**

The following is a summary of changes in capital assets for the year ended December 31, 2019:

Primary Government	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Not Being Depreciated					
Land	\$ 30,000	\$ -	\$ -	\$ -	\$ 30,000
Construction in Progress	25,000	865,836	-	(890,836)	-
Total Capital Assets, Not Being Depreciated	\$ 55,000	\$ 865,836	\$ -	\$ (890,836)	\$ 30,000
Capital Assets Being Depreciated					
Buildings	\$ 500,000	\$ -	\$ -	\$ -	\$ 500,000
Building Improvements	810,281	77,900	-	226,285	1,114,466
Vehicles & Equipment	3,426,191	535,898	64,000	-	3,898,089
Infrastructure	14,036,149	-	-	664,551	14,700,700
Total Capital Assets, Being Depreciated	\$ 18,772,621	\$ 613,798	\$ 64,000	\$ 890,836	\$ 20,213,255
Less Accumulated Depreciation					
Buildings	\$ 310,000	\$ 5,000	\$ -	\$ -	\$ 315,000
Building Improvements	173,711	44,579	-	-	218,290
Vehicles & Equipment	1,694,238	291,844	33,340	-	1,952,742
Infrastructure	2,892,819	588,028	-	-	3,480,847
Total Accumulated Depreciation	\$ 5,070,768	\$ 929,451	\$ 33,340	\$ -	\$ 5,966,879
Total Capital Assets Being Depreciated, Net	\$ 13,701,853	\$ (315,653)	\$ 30,660	\$ 890,836	\$ 14,246,376
Primary Government Capital Assets, Net	\$ 13,756,853	\$ 550,183	\$ 30,660	\$ -	\$ 14,276,376

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

Primary Government	Amounts
General Government	\$ 58,974
Public Safety	804,001
Highways	44,792
Health and Welfare	11,340
Conservation of Natural Resources	10,344
Total Depreciation Expense - Govt. Activities	\$ 929,451

CAVALIER COUNTY

Notes to the Financial Statements – Continued

Discretely Presented Component Units

The following is a summary of changes in capital assets for the year ended December 31, 2019 for the Water Resource District and Library:

Water Resource District	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Being Depreciated					
Vehicles & Equipment	\$ 75,112	\$ 22,500	\$ -	\$ -	\$ 97,612
Infrastructure	3,142,147	-	-	-	3,142,147
Total Capital Assets, Being Depreciated	\$ 3,217,259	\$ 22,500	\$ -	\$ -	\$ 3,239,759
Less Accumulated Depreciation					
Vehicles & Equipment	\$ 54,107	\$ 11,055	\$ -	\$ -	\$ 65,162
Infrastructure	1,433,911	125,686	-	-	1,559,596
Total Accumulated Depreciation	\$ 1,488,018	\$ 136,741	\$ -	\$ -	\$ 1,624,758
Total Capital Assets Being Depreciated, Net	\$ 1,729,241	\$ (114,241)	\$ -	\$ -	\$ 1,615,001
Water Resource District Capital Assets, Net	\$ 1,729,241	\$ (114,241)	\$ -	\$ -	\$ 1,615,001

Library	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Being Depreciated					
Vehicles & Equipment	\$ 11,884	\$ -	\$ -	\$ -	\$ 11,884
Less Accumulated Depreciation					
Vehicles & Equipment	\$ 4,753	\$ 1,189	\$ -	\$ -	\$ 5,942
County Library Capital Assets, Net	\$ 7,131	\$ (1,189)	\$ -	\$ -	\$ 5,942

Depreciation expense was charged to the conservation of natural resources function and culture and recreation for the Water Resource District and Library, respectively.

NOTE 7 LONG-TERM LIABILITIES**Primary Government**

During the year ended December 31, 2019, the following changes occurred in governmental activities long-term liabilities:

Primary Government	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Loans Payable	\$ 823,856	\$ 428,814	\$ 268,587	\$ 984,083	\$ 230,402
Compensated Absences *	\$ 305,554	\$ -	\$ 34,025	\$ 271,529	\$ 27,153
Net Pension and OPEB Liability *	3,445,575	-	949,868	2,495,707	-
Total Primary Government	\$ 4,574,985	\$ 428,814	\$ 1,252,480	\$ 3,751,319	\$ 257,555

* The change to compensated absences and net pension and OPEB liability are the net changes for the year.

CAVALIER COUNTY

Notes to the Financial Statements – Continued

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

Primary Government		
Year Ending Dec 31	Loans Payable	
	Principal	Interest
2020	\$ 230,402	\$ 14,821
2021	226,225	18,956
2022	172,946	13,532
2023	121,962	6,860
2024	104,435	5,214
2025-2028	128,113	5,318
Total	\$ 984,083	\$ 64,701

Discretely Presented Component UnitWater Resource District

During the year ended December 31, 2019, the following changes occurred in governmental long-term liabilities of the Water Resource District:

Water Resource District	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Loans Payable	\$ 36,000	\$ -	\$ 36,000	\$ -	\$ -

Public Health District

During the year ended December 31, 2019, the following changes occurred in governmental long-term liabilities of the Health District:

Health District	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 27,137	\$ 836	\$ -	\$ 27,973	\$ 2,797
Net Pension and OPEB Liability *	208,181	-	57,913	150,268	-
Total Health District	\$ 235,318	\$ 836	\$ 57,913	\$ 178,241	\$ 2,797

* The change to compensated absences and net pension and OPEB liability are the net changes for the year.

CAVALIER COUNTY

Notes to the Financial Statements – Continued

Job Development Authority

During the year ended December 31, 2019, the following changes occurred in governmental long-term liabilities of the Job Development Authority:

Job Development Authority	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Loans Payable	\$ 17,672	\$ 20,000	\$ 17,672	\$ 20,000	\$ 13,500
Compensated Absences *	\$ 4,274	\$ 4,203	\$ -	\$ 8,477	\$ 848
Net Pension and OPEB Liability *	82,617	-	23,998	58,619	-
Total Job Development Authority	\$ 104,563	\$ 24,203	\$ 41,670	\$ 87,096	\$ 14,348

* The change to compensated absences and net pension and OPEB liability are the net changes for the year.

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

Job Development Authority		
Year Ending Dec 31	Loans Payable	
	Principal	Interest
2020	\$ 13,500	\$ -
2021	6,500	-
2022	-	-
Total	\$ 20,000	\$ -

Library

During the year ended December 31, 2019, the following changes occurred in governmental long-term liabilities of the Library:

Library	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 4,724	\$ -	\$ 391	\$ 4,333	\$ 433

* The change to compensated absences is the net change for the year.

NOTE 8 PENSION PLAN**General Information about the NDPERS Pension Plan*****North Dakota Public Employees Retirement System (Main System)***

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

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

CAVALIER COUNTY

Notes to the Financial Statements – Continued

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. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

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

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

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

At December 31, 2019, the following net pension liabilities were reported:

	Net Pension Liability
County	\$ 2,345,856
Health District	141,246
Job Development Authority	55,099

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2019, the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2018 Measurements	Pension Expense
County	0.200146%	0.004547%	\$ 436,193
Health District	0.012051%	0.000233%	25,081
Job Development Authority	0.004701%	0.000011%	10,045

CAVALIER COUNTY

Notes to the Financial Statements – Continued

At December 31, 2019, the following deferred outflows of resources and deferred inflows of resources were reported related to pensions from the following sources:

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,390	\$ 425,728
Changes in Assumptions	876,585	752,624
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	40,870	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	69,171	37,783
Contributions - Employer	75,650	-
Total Primary Government	\$ 1,063,666	\$ 1,216,135

Health District	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 84	\$ 25,634
Changes in Assumptions	52,780	45,316
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2,461	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	4,809	3,306
Contributions - Employer	9,839	-
Total Health District	\$ 69,973	\$ 74,256

Job Development Authority	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 33	\$ 9,999
Changes in Assumptions	20,589	17,678
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	960	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	1,125	828
Contributions - Employer	3,216	-
Total Job Development Authority	\$ 25,923	\$ 28,505

The following amounts were reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019:

County	\$ 75,650
Health District	9,839
Job Development Authority	3,216

CAVALIER COUNTY

Notes to the Financial Statements – Continued

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

Year	County	Health District	Job Development Authority
2020	\$ 86,907	\$ 4,075	\$ 1,843
2021	28,486	1,791	590
2022	(72,856)	(3,831)	(1,699)
2023	(206,134)	(12,243)	(4,960)
2024	(64,522)	(3,914)	(1,572)

Actuarial Assumptions

The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	Service at Beginning of year:	Increase Rate:
	0	12.00%
	1	9.50%
	2	7.25%
	Age*	
	Under 30	7.25%
	30 – 39	6.50%
	40 – 49	6.25%
	50 – 59	5.75%
	60+	5.00%
* Age-based salary increase rates apply for employees with three or more years of service		
Investment rate of 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 are based on the RP-2000 Disabled Retiree 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 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	30%	6.25%
International Equity	21%	6.95%
Private Equity	7%	10.15%
Domestic Fixed Income	23%	2.11%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.41%
Cash Equivalents	0%	0.00%

CAVALIER COUNTY

Notes to the Financial Statements – Continued

Discount Rate

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.13%; and the resulting Single Discount Rate is 7.50%.

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

The following presents the entities proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what their proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

Proportionate Share of the Net Pension Liability	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
County	\$ 3,363,452	\$ 2,345,856	\$ 1,490,897
Health District	202,571	141,246	89,768
Job Development Authority	79,000	55,099	35,018

Pension Plan Fiduciary Net Position

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

NOTE 9 OPEB PLAN

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

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

CAVALIER COUNTY

Notes to the Financial Statements – Continued

OPEB Benefits

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

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

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

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

At December 31, 2019, the following net OPEB liabilities were reported:

	Net OPEB Liability
County	\$ 149,851
Health District	9,022
Job Development Authority	3,520

The net OPEB liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net OPEB liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2019, the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2018 Measurements	OPEB Expense
County	0.186570%	0.002930%	\$ 20,339
Health District	0.011233%	0.000137%	1,247
Job Development Authority	0.004382%	(-0.000022%)	480

CAVALIER COUNTY

Notes to the Financial Statements – Continued

At December 31, 2019, the following deferred outflows of resources and deferred inflows of resources were reported related to OPEB from the following sources:

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 3,698	\$ 4,681
Changes of Assumptions	17,860	-
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	167	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	1,683	1,390
Contributions - Employer	12,112	-
Total Primary Government	\$ 35,520	\$ 6,071

Health District	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 224	\$ 282
Changes of Assumptions	1,075	-
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	10	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	165	14
Contributions - Employer	1,575	-
Total Health District	\$ 3,049	\$ 296

Job Development Authority	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 89	\$ 110
Changes of Assumptions	419	-
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	4	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	34	31
Contributions - Employer	515	-
Total Job Development Authority	\$ 1,061	\$ 141

The following amounts were reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019:

County	\$ 12,112
Health District	1,575
Job Development Authority	515

CAVALIER 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:

Year	County	Health District	Job Development Authority
2020	\$ 2,718	\$ 189	\$ 66
2021	2,718	189	66
2022	4,113	273	99
2023	3,857	259	93
2024	2,315	167	55
2025	1,346	88	23
Thereafter	270	13	3

Actuarial assumptions

The total OPEB liability in the July 1, 2019 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 of Return	7.25%, 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, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	6.00%
Small Cap Domestic Equities	6%	7.30%
Domestic Fixed Income	40%	2.07%
International Equities	21%	6.95%

Discount rate

The discount rate used to measure the total OPEB liability was 7.25%. 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, 2019, and July 1, 2018, 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.

CAVALIER COUNTY

Notes to the Financial Statements – Continued

Sensitivity of the County's and Health District'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, 2019, calculated using the discount rate of 7.25%, 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

Proportionate Share of the Net OPEB Liability	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
County	\$ 191,264	\$ 149,851	\$ 114,400
Health District	11,516	9,022	6,888
Job Development Authority	4,492	3,520	2,687

NOTE 10 RISK MANAGEMENT

Cavalier 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 (NDRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The County pays an annual premium to NDRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRF is limited to losses of two million dollars per occurrence for general liability and automobile and \$2,352,408 for public assets (mobile equipment and portable property) for the County, and \$79,700 for the Water Resource District.

The County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The County pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the County with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage. The Water Resource District and Health District have \$240,000 and \$132,000, respectively, of blanket fidelity bond coverage.

The County participates in the worker's compensation with the Workforce, Safety and Insurance and purchases commercial insurance for employee health and accident insurance.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

NOTE 11 JOINT VENTURES

Under authorization of state statutes, the Cavalier County Water Resource District joined the water resource districts of Rolette County, Nelson County, Pierce County, Ramsey County, Benson County, Towner County and Walsh County to establish and operate a joint exercise of powers agreement for water management districts located within the Devils Lake basin. The joint agreement created Devils Lake Basin Joint Water Resource Board. The agreement was established for the mutual advantage of the governments. Each government appoints one member of the 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 due to the lack of provisions being made for this in the joint power's agreement.

CAVALIER COUNTYNotes to the Financial Statements – Continued

Summary financial information (the latest information available) as of and for the year ended December 31, 2012 is as follows:

	Devils Lake Basin Joint WRD
Total Assets	\$ 203,175
Total Liabilities	-
Total Net Position	\$ 203,175
Total Revenues	\$ 133,439
Total Expenses	169,563
Change in Net Position	\$ (36,124)

Additional financial information may be obtained from the Devils Lake Basin Joint Water Resource District, 524, 4th Ave. #27, Devils Lake, ND 58301.

NOTE 12 CONDUIT DEBT

From time to time, the County has issued Community Development Block Grant Loans 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 are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the loans, ownership of the acquired facilities transfers to the private-sector entity served by the loan issuance. Neither the County, 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, 2019, there was one series of Community Development Block Grant Loans outstanding, with an aggregate principal amount payable of \$87,500.

NOTE 13 SUBSEQUENT EVENT DISCLOSURE

On October 8, 2020, Cavalier County Water Resource District was approved with a Line of Credit loan of \$197,196. The interest rate on the loan is 1.5% and the maturity date is April 1, 2027.

CAVALIER COUNTY

Budgetary Comparison Schedule – General Fund
 For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 1,561,818	\$ 1,561,818	\$ 1,589,854	\$ 28,036
Intergovernmental	498,974	498,974	758,443	259,469
Charges for Services	275,780	275,780	328,699	52,919
Licenses, Permits and Fees	1,050	1,050	860	(190)
Interest Income	34,000	34,000	68,293	34,293
Miscellaneous	30,000	30,000	71,586	41,586
Total Revenues	\$ 2,401,622	\$ 2,401,622	\$ 2,817,735	\$ 416,113
EXPENDITURES				
Current				
General Government	\$ 1,981,006	\$ 2,008,498	\$ 1,827,102	\$ 181,396
Public Safety	1,125,932	1,125,932	1,226,165	(100,233)
Health and Welfare	60,829	60,829	54,199	6,630
Other	26,500	26,500	26,500	-
Debt Service				
Principal	-	-	78,862	(78,862)
Interest & Service Charges	-	-	8,762	(8,762)
Total Expenditures	\$ 3,194,267	\$ 3,221,759	\$ 3,221,590	\$ 169
Excess (Deficiency) of Revenues Over Expenditures	\$ (792,645)	\$ (820,137)	\$ (403,855)	\$ 416,282
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 36,886	\$ 36,886
Net Change in Fund Balances	\$ (792,645)	\$ (820,137)	\$ (366,969)	\$ 453,168
Fund Balance - January 1	\$ 3,596,259	\$ 3,596,259	\$ 3,596,259	\$ -
Fund Balance - December 31	\$ 2,803,614	\$ 2,776,122	\$ 3,229,290	\$ 453,168

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

CAVALIER COUNTY

Budgetary Comparison Schedule – Special Revenue Fund
 For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 2,062,388	\$ 2,062,388	\$ 2,053,704	\$ (8,684)
Intergovernmental	1,585,097	1,585,097	1,787,679	202,582
Charges for services	375,910	375,910	423,876	47,966
Miscellaneous	5,000	5,000	20,225	15,225
Total Revenues	\$ 4,028,395	\$ 4,028,395	\$ 4,285,484	\$ 257,089
EXPENDITURES				
Current				
General Government	\$ -	\$ 8,416	\$ 10,132	\$ (1,716)
Public Safety	164,235	164,268	87,082	77,186
Highways & Bridges	2,646,970	2,647,172	2,348,651	298,521
Health & Welfare	956,269	1,015,915	1,017,659	(1,744)
Flood	-	217,871	217,871	-
Conservation of Natural Resources	333,643	333,643	314,714	18,929
Debt Service				
Principal	-	-	189,725	(189,725)
Interest	-	-	11,111	(11,111)
Total Expenditures	\$ 4,101,117	\$ 4,387,285	\$ 4,196,945	\$ 190,340
Excess (Deficiency) of Revenues Over Expenditures	\$ (72,722)	\$ (358,890)	\$ 88,539	\$ 447,429
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	\$ -	\$ -	\$ 428,814	\$ 428,814
Transfers in	-	-	1,935,779	1,935,779
Transfers out	-	-	(1,972,665)	(1,972,665)
Total Other Financing Sources and Uses	\$ -	\$ -	\$ 391,928	\$ 391,928
Net Change in Fund Balances	\$ (72,722)	\$ (358,890)	\$ 480,467	\$ 839,357
Fund Balances - January 1	\$ 2,530,010	\$ 2,530,010	\$ 2,530,010	\$ -
Fund Balances - December 31	\$ 2,457,288	\$ 2,171,120	\$ 3,010,477	\$ 839,357

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

CAVALIER COUNTY

Schedule of Employer's Share of Net Pension Liability and Employer Contributions
For the Year Ended December 31, 2019

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

COUNTY	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.200146%	\$ 2,345,856	\$ 2,081,858	112.68%	71.66%
2018	0.195599%	3,300,946	2,009,422	164.27%	62.80%
2017	0.197433%	3,173,396	2,015,477	157.45%	61.98%
2016	0.191985%	1,871,081	1,934,759	96.71%	70.46%
2015	0.203720%	1,385,261	1,814,902	76.33%	77.15%
2014	0.195652%	1,241,845	1,648,126	75.35%	77.70%

HEALTH	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.012051%	\$ 141,246	\$ 125,346	112.68%	71.66%
2018	0.011818%	199,442	121,410	164.27%	62.80%
2017	0.011507%	184,955	117,468	157.45%	61.98%
2016	0.011189%	109,048	112,758	96.71%	70.46%
2015	0.012405%	84,352	110,511	76.33%	77.15%
2014	0.012858%	81,612	108,312	75.35%	77.70%

JDA	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.004701%	\$ 55,099	\$ 48,900	112.68%	71.66%
2018	0.004690%	79,149	48,186	164.26%	62.80%
2017	0.004578%	73,583	46,734	157.45%	61.98%
2016	0.004465%	43,516	45,000	96.70%	70.46%
2015	0.004849%	32,972	43,200	76.32%	77.15%
2014	0.004737%	30,067	39,900	75.36%	77.70%

CAVALIER COUNTY

Schedule of Employer's Share of Net Pension Liability and Employer Contributions
For the Year Ended December 31, 2019

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

COUNTY	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2019	\$ 151,571	\$ 150,013	\$ 1,558	\$ 2,081,858	7.21%
2018	148,003	149,496	(1,493)	2,009,422	7.44%
2017	146,147	144,410	1,737	2,015,477	7.17%
2016	140,073	139,245	828	1,934,759	7.20%
2015	137,856	131,433	6,423	1,814,902	7.24%
2014	117,347	117,347	-	1,648,126	7.12%

HEALTH	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2019	\$ 9,126	\$ 8,924	\$ 202	\$ 125,346	7.12%
2018	8,942	8,644	298	121,410	7.12%
2017	8,518	8,364	154	117,468	7.12%
2016	8,164	8,680	(516)	112,758	7.70%
2015	8,394	7,868	526	110,511	7.12%
2014	7,712	7,712	-	108,312	7.12%

JDA	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2019	\$ 3,560	\$ 3,482	\$ 78	\$ 48,900	7.12%
2018	3,549	3,431	118	48,186	7.12%
2017	3,389	3,328	61	46,734	7.12%
2016	3,258	3,465	(207)	45,000	7.70%
2015	3,281	3,076	205	43,200	7.12%
2014	2,841	2,841	-	39,900	7.12%

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

CAVALIER COUNTY

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions
For the Year Ended December 31, 2019

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

COUNTY	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2019	0.186570%	\$ 149,851	\$ 2,081,858	7.20%	63.13%
2018	0.183640%	144,629	2,009,422	7.20%	61.89%
2017	0.186301%	147,366	2,015,477	7.31%	59.78%

JDA	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2019	0.004382%	\$ 3,520	\$ 48,900	7.20%	63.13%
2018	0.004404%	3,468	48,186	7.20%	61.89%
2017	0.004320%	3,417	46,734	7.31%	59.78%

HEALTH	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2019	0.011233%	\$ 9,022	\$ 125,346	7.20%	63.13%
2018	0.011096%	8,739	121,410	7.20%	61.89%
2017	0.010858%	8,589	117,468	7.31%	59.78%

CAVALIER COUNTY

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions
For the Year Ended December 31, 2019

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

COUNTY	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2019	\$ 24,212	\$ 24,019	\$ 193	\$ 2,081,858	1.15%
2018	23,569	23,936	(367)	2,009,422	1.19%
2017	23,429	23,122	46,551	2,015,477	1.15%

HEALTH	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	County's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2019	\$ 1,458	\$ 1,429	\$ 29	\$ 125,346	1.14%
2018	1,424	1,384	40	121,410	1.14%
2017	1,365	1,339	26	117,468	1.14%

JDA	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2019	\$ 569	\$ 558	\$ 11	\$ 48,900	1.14%
2018	565	549	16	48,186	1.14%
2017	543	533	10	46,734	1.14%

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

CAVALIER COUNTY

Notes to the Required Supplementary Information
For the Year Ended December 31, 2019

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 expenditures and transfers budget for various funds as follows:

	Original Budget	Budget Amendment	Amended Budget
Major Funds			
General	\$ 3,194,267	\$ 27,492	\$ 3,221,759
Special Revenue	4,101,117	286,168	4,387,285

NOTE 2 SCHEDULE OF EMPLOYER PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

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

NOTE 3 PENSION AND OPEB – CHANGES OF ASSUMPTIONS

Pension

The interest rate earned on member contributions will decrease from 7.25 percent to 7.00 percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

CAVALIER COUNTY

Notes to the Required Supplementary Information - Continued
For the Year Ended December 31, 2019

OPEB

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

NOTE 4 CHANGES OF ASSUMPTIONS – PENSION AND OPEB

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.75% to 7.50% for Pension.
- The investment return assumption was lowered from 7.50% to 7.25% for OPEB.

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

NOTE 5 SCHEDULE OF PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

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

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

Independent Auditor's Report

Board of County Commissioners
Cavalier County
Langdon, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cavalier County as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Cavalier County's basic financial statements, and have issued our report thereon dated December 21, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cavalier 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 Cavalier County's internal control. Accordingly, we do not express an opinion on the effectiveness of Cavalier County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying *Schedule of Audit Findings* as items 2019-001, 2019-002, 2019-003, 2019-004, 2019-005 and 2019-006 to be material weaknesses

CAVALIER COUNTY

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cavalier County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 are required to be reported under *Government Auditing Standards* and which are described in the accompanying *Schedule of Audit Finding* as item 2019-003.

Cavalier County's Response to Findings

Cavalier County's response to the findings identified in our audit is described in the accompanying *schedule of audit findings*. Cavalier County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
December 21, 2020

CAVALIER COUNTY

Summary of Auditor's Results
For the Year Ended December 31, 2019

Financial Statements

Type of Report Issued?

Governmental Activities	Unmodified
Aggregate Discretely Presented Component Units	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal Control Over Financial Reporting

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

Schedule of Audit Findings

For the Year Ended December 31, 2019

2019-001 FINANCIAL STATEMENT PREPARATION – MATERIAL WEAKNESS

Condition

Cavalier County currently does not prepare the financial statements, including various off book adjusting entries and accompanying note disclosures, as required by generally accepted accounting principles (GAAP). Thus, management has elected to have the auditors assist in the preparation of the financial statements and note disclosures.

Criteria

Management of Cavalier County is responsible for establishing proper internal control over the preparation of Cavalier County's annual financial statements to ensure that financial statements and note disclosures are reliable, accurate, free of material misstatement, and in accordance with GAAP.

Cause

Management chooses not to allocate Cavalier County resources for preparation of the financial statements.

Effect

There is an increased risk of material misstatement to the Cavalier County's financial statements.

Repeat Finding

Yes.

Recommendation

We recommend Cavalier County consider the additional risk of having the auditor assist in the preparation of the financial statements and note disclosures and consider preparing them in the future.

Cavalier County's Response

Agree. Cavalier County Auditor and Treasurer Office have been filling in large portions of fund activity in preparation for the State Audit. We have discussed additional financial reporting with the State Auditors for future audits. Both offices have worked with the State Auditor's Office in the past on the various additional reporting required prior to the actual audit and will continue to work on the additional requirements being proposed.

2019-002 LACK OF SEGREGATION OF DUTIES – COMPONENT UNITS – MATERIAL WEAKNESS

Condition

The discretely presented component units (Cavalier County Water Resource District, Cavalier County Job Development Authority, Cavalier County Library, and Cavalier County Public Health Unit) each have limited staff members responsible for the primary accounting functions. A lack of segregation of duties exists as limited personnel are responsible to collect and deposit monies, issue checks, send checks to vendors, record receipts disbursement in journals, maintain the general ledger, create credit memos, and perform bank reconciliations.

Criteria

According to the COSO framework, proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the districts.

Cause

Management has chosen to allocate its economic resources to other functions of the component units.

Effect

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the component unit's financial condition, whether due to error or fraud.

Repeat Finding

Yes.

Recommendation

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

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

Cavalier County's Response

Agree. The Component Units agree and will segregate duties as it becomes feasible.

2019-003 IMPROPER BIDDING OF ROAD EQUIPMENT– MATERIAL WEAKNESS – MATERIAL NONCOMPLIANCE

Condition

Cavalier County did not advertise for bids for two motor graders at a cost of \$428,814. Instead, the County utilized an out of state cooperative purchase agreement that was not applicable to the County.

Criteria

N.D.C.C. §24-05-04(2) states “Except as provided in N.D.C.C. § 54-44.4-13, a purchase of county road machinery and any rental contract or agreement for the use of road machinery and other articles, except necessary repairs for road machinery, which exceeds the sum of one hundred thousand dollars must be advertised by publishing an advertisement for bids at least once each week for two consecutive weeks in the official newspaper of the county and in any other newspapers as the board deems advisable.”

Additionally, N.D.C.C. § 54-44.4-13(7) states “Before entering into a cooperative purchasing agreement under this section, the office of management and budget must determine that the contracts were awarded through full and open competition or source selection methods specified in section 54-44.4-05 and shall send notice to approved vendors of the office's intent to make a cooperative purchase in accordance with this chapter.

Cause

Cavalier County may not have accurately interpreted the out of state cooperative purchase agreement used to acquire the motor graders.

Effect

Cavalier County may not be in compliance with N.D.C.C. §24-05-04(2) and N.D.C.C. §54-44-.4-13(7).

Repeat Finding

Yes.

Recommendation

We recommend that Cavalier County review upcoming purchases of county road machinery to ensure compliance with N.D.C.C. §24-05-04(2). We further recommend that Cavalier County consult with the Office of Management and Budget to ensure compliance with N.D.C.C. §54-44-.4-13(7).

Cavalier County's Response

Agree. Cavalier County was advised by both Butler Machinery and RDO Equipment that their participation in SourceWell would equate using state bid, therefore not requiring advertising for the purchase of motor graders. At least one County Commissioner and the Road Supervisor had visited with other counties that had purchased equipment through SourceWell and it was promote to all counties at the ND Association of Counties convention. In the future if Cavalier County purchases through such a program we will be verify it qualifies with ND OMB or advertised for bids to be safe.

2019-004 IMPROPER PAYABLE RECORDING– WATER RESOURCE DISTRICT – MATERIAL WEAKNESS

Condition

The Cavalier County Water Resource District improperly recorded \$47,369 of negative accounts payable on the Balance Sheet.

Criteria

Management of the Cavalier County Water Resource District is responsible for establishing proper internal control over the District's activities to ensure that financial statements and note disclosures are reliable, accurate, free of material misstatement, and in accordance with the Generally Accepted Accounting Principles (GAAP) basis of accounting.

Cause

The Cavalier County Water Recourse District improperly credited cash and debited accounts payable for three transactions during the year without first reporting a debit to expenditures and a credit for accounts payable to initially record the bill.

Effect

The financial statements may have been materially misstated without the proposed audit adjustments. Furthermore, 2019 expenditures would have been understated by \$47,369.

Repeat Finding

No.

Recommendation

We recommend the Cavalier County Water Resource District correct the current accounts payable errors and ensure future transactions are in accordance with GAAP.

Cavalier County Water Resource District's Response

Agreed. This was corrected as of 12/14/2020.

2019-005 IMPROPER BANK RECONCILIATION – WATER RESOURCE DISTRICT – MATERIAL WEAKNESS

Condition

The Cavalier County Water Resource District's bank reconciliation presented a net difference of \$36,487 as of December 31, 2019 in comparison to its balance sheet.

Criteria

According to the COSO framework, the Cavalier County Water Resource District should have proper internal controls surrounding the bank reconciliation process.

Cause

The Cavalier County Water Resource District's bank reconciliation register balance did not agree to the balance sheet due to an uncorrected cash error recorded from 2018.

Effect

The financial statements may have been materially misstated without the proposed audit adjustments. Furthermore, the 2019 cash balance would have been overstated by \$36,487.

Repeat Finding

Yes.

Recommendation

We recommend the Cavalier County Water Resource District resolve the net differences and implement internal controls over the bank reconciliation process to ensure the bank reconciliation is accurate and complete.

Cavalier County Water Resource District's Response

Agree. Cavalier County Water Resource District will implement controls to make sure that the bank reconciliations are working properly.

CAVALIER COUNTYSchedule of Audit Findings – Continued

2019-006 IMPROPER ACCOUNTING REQUIRING A CASH ADJUSTMENT– WATER RESOURCE DISTRICT – MATERIAL WEAKNESS**Condition**

During the 2018 audit, a cash overstatement error of \$36,000 was found on the unadjusted balance sheet; which has not been corrected by the Cavalier County Water Resource District as of December 31, 2019. This error has been adjusted on the audited financial statements.

Criteria

Management of the Cavalier County Water Resource District is responsible for establishing proper internal control over the District's activities to ensure that financial statements and note disclosures are reliable, accurate, free of material misstatement, and in accordance with the Generally Accepted Accounting Principles (GAAP) basis of accounting.

Cause

Management of the Cavalier County Water Resource District has not corrected the cash overstatement error as of December 31, 2019.

Effect

The financial statements may have been materially misstated without the proposed audit adjustments. Furthermore, the 2019 cash balance would have been overstated by \$36,000.

Repeat Finding

Yes.

Recommendation

We recommend the Cavalier County Water Resource District adjust the cash overstatement error from 2018 in order to ensure the financial statements are in accordance with GAAP.

Cavalier County Water Resource District's Response

Agreed. Corrected as of 12/14/2020.



GOVERNANCE COMMUNICATION

Board of County Commissioners
Cavalier County
Langdon, 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 Cavalier County, North Dakota, for the year ended December 31, 2019 which collectively comprise Cavalier County's basic financial statements, and have issued our report thereon dated December 21, 2020. 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 by the Uniform Guidance

As stated in our engagement letter dated November 5, 2020, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic 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, or fraud may exist and not be detected by us.

In planning and performing our audit, we considered Cavalier County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on internal control over financial reporting.

As part of obtaining reasonable assurance about whether Cavalier 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 and other matters, 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.

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 Cavalier County are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2019. 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.

CAVALIER COUNTY

Governance Communication – Continued

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. Management has corrected all such misstatements. The schedules below list all misstatements detected as a result of audit procedures that were corrected by management.

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.

	Client Provided Adjustments		Audit Adjustments		Total Adjustments	
	Debit	Credit	Debit	Credit	Debit	Credit
PRIMARY GOVERNMENT						
<u>To record client provided receivables</u>						
Accounts Receivable	7,530	-	-	-	7,530	-
Revenue	-	7,530	-	-	-	7,530
<u>To record grants received in advance</u>						
Revenue	-	-	223,756	-	223,756	-
Unearned Revenue	-	-	-	223,756	-	223,756
<u>To record loan receivable collections</u>						
Revenue	-	-	46,945	-	46,945	-
Loan Receivable Collections	-	-	-	46,945	-	46,945
<u>To record loan proceeds received</u>						
Expenditures	-	-	428,814	-	428,814	-
Loan Financing	-	-	-	428,814	-	428,814
<u>To record audit receivable</u>						
Revenue	-	-	143,416	-	143,416	-
Intergovernmental Receivable	-	-	-	143,416	-	143,416
<u>To record client provided payables</u>						
Expenditure	91,636	-	-	-	91,636	-
Accounts Payable	-	88,029	-	-	-	88,029
Salaries Payable	-	3,607	-	-	-	3,607
WATER RESOURCE DISTRICT						
<u>Audit Adjustments</u>						
Fund balance	-	-	4,417	-	4,417	-
Loan Adjustment	-	-	-	4,417	-	4,417
Fund Balance	-	-	36,000	-	36,000	-
Cash Adjustment	-	-	-	36,000	-	36,000
Expenditure	-	-	47,369	-	47,369	-
Accounts Payable	-	-	-	47,369	-	47,369

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 21, 2020.

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 Cavalier 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.

Thank you and the employees of Cavalier 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 Cavalier County.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
December 21, 2020



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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