

**CITY OF CAVALIER  
CAVALIER, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

## TABLE OF CONTENTS

|   | <b>Page</b> |
|---|-------------|
| <b>ROSTER OF CITY OFFICIALS</b>   | <b>1</b>    |
| <b>INDEPENDENT AUDITOR'S REPORT</b>   | <b>2</b>    |
| <b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>   | <b>5</b>    |
| <b>BASIC FINANCIAL STATEMENTS:</b>  |             |
| Statement of Net Position   | 12          |
| Statement of Activities   | 13          |
| <b>FUND FINANCIAL STATEMENTS:</b>   |             |
| Balance Sheet - Governmental Funds  | 14          |
| Reconciliation of Governmental Funds Balance Sheet to Net Position of Governmental Activities   | 15          |
| Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds   | 16          |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities | 17          |
| Statement of Net Position - Proprietary Funds   | 18          |
| Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds  | 19          |
| Statement of Cash Flows - Proprietary Funds   | 20          |
| Notes to the Financial Statements   | 21          |
| <b>REQUIRED SUPPLEMENTARY INFORMATION:</b>  |             |
| Budgetary Comparison Schedule - General Fund  | 53          |
| Note to the Budgetary Comparison Schedule   | 54          |
| Schedule of Employer's Share of Net Pension Liability   | 55          |
| Schedule of Employer Contributions  | 56          |
| Schedule of City's Share of the OPEB Liability  | 57          |

|   |           |
|---|-----------|
| Schedule of City's Contributions to OPEB Plan   | 58        |
| Note to the Required Supplementary Information  | 59        |
| <b>SUPPLEMENTARY INFORMATION:</b>   |           |
| <b>COMBINING AND INDIVIDUAL FUND SCHEDULES</b>  |           |
| Combining Balance Sheet - Nonmajor Governmental Funds   | 60        |
| Combining Schedule of Revenues, Expenditures and Changes in Fund Balance -<br>Nonmajor Governmental Funds   | 61        |
| Combining Balance Sheet - Nonmajor Special Revenue Funds  | 62        |
| Combining Schedule of Revenues, Expenditures and Changes in Fund Balance -<br>Nonmajor Special Revenue Funds  | 64        |
| Combining Balance Sheet - Nonmajor Debt Service Funds   | 66        |
| Combining Schedule of Revenues, Expenditures and Changes in Fund Balance -<br>Nonmajor Debt Service Funds   | 67        |
| <b>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL<br/>REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT<br/>OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT<br/>AUDITING STANDARDS</b> |           |
|   | <b>68</b> |
| Schedule of Findings and Responses  | 70        |

**CITY OF CAVALIER**  
**ROSTER OF CITY OFFICIALS**  
**AS OF DECEMBER 31, 2019**

| <u>Names</u>   | <u>Office</u>      |
|----------------|--------------------|
| Lacey Hinkle   | Mayor              |
| Craig Vaughn   | Council            |
| Sara Stevenson | Council            |
| Mike Carpenter | Council            |
| Tom Beard      | Council            |
| Al Berry       | Council            |
| Kelly Cluchie  | Council            |
| Kelli Truver   | City Auditor       |
| Barry Walton   | Operations Manager |

## INDEPENDENT AUDITOR'S REPORT

Mayor and Aldermen of the  
City Council  
City of Cavalier  
Cavalier, North Dakota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cavalier, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cavalier, as of December 31, 2019, and the respective changes in the 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.

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

As described in Note 10 to the financial statements, the City has retroactively restated the previous reported fund balance and net position. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules 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.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cavalier's basic financial statements. The roster of city officials and combining non major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the

United States of America. In our opinion, the combining non major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The roster of City Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2021 on our consideration of the City of Cavalier's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Cavalier's 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 the City of Cavalier's internal control over financial reporting and compliance.



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

May 17, 2021

**CITY OF CAVALIER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

As management of the City of Cavalier, we are pleased to offer readers of the City of Cavalier financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended December 31, 2019. We encourage readers to consider it in conjunction with the additional information presented in the accompanying letter of transmittal, the basic financial statements, the fund financial statements, and the notes to the financial statements.

**FINANCIAL HIGHLIGHTS**

- Change in Net Position: Governmental assets and deferred outflows exceeded liabilities and deferred inflows (net position) by \$9,025,472 at the close of the most recent fiscal year. Of this amount, \$897,973 (unrestricted net position) may be used to meet the government's ongoing obligations. The total net position of governmental activities of the City of Cavalier increased by \$825,023 as a result of the most recently completed fiscal year's operations. Business-type assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5,706,776 at the close of the most recent fiscal year. Net position of the business-type activities increased by \$491,890 as a result of the most recently completed fiscal year's operations.

Total revenues from all sources were \$2,138,169 for governmental activities. Revenues from property taxes were \$191,089 in the current fiscal year compared to \$154,118 in the prior year. Sales tax revenues totaled \$494,814 in the current fiscal year; a 6.17% increase from the prior year. Total expenses were \$1,668,512.

- Total revenues from all sources were \$2,444,031 for business-type activities, with total expenses of \$1,596,775.

**USING THIS ANNUAL REPORT**

This annual report presents the following three components of the financial statements:

1. Government-wide financial statements provide information for the City as a whole.
2. Fund financial statements provide detailed information for the City's significant funds.
3. Notes to the financial statements provide additional information that is essential to understanding the government-wide and fund statements.

This report also contains other supplementary information in addition to the basic financial statements.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City of Cavalier's finances, in a manner similar to a private-sector business. The government-wide financial statements consist of the statement of net position and the statement of activities.

**CITY OF CAVALIER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

The Statement of Net Position presents information on all of the City's assets, deferred inflows/outflows and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information on how the City's net position changed during the most recent fiscal year. This statement is presented using the accrual basis of accounting, which means that all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected sales tax, and earned but unused vacation leave). Both the Statement of Net Position and the Statement of Activities present information as follows:

- Governmental activities – this includes most of the City's basic services that are primarily supported by property and sales taxes, interest income, user fees and intergovernmental revenues.
- Business-type activities – this includes those services which are intended to recover all or a significant part of their costs through user fees.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Cavalier, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements provide detailed information about the City's significant funds – not the City as a whole. The City's funds can be divided into two categories – governmental funds and proprietary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The governmental fund statements provide a detailed short-term view of the government operations and the basic services it provides and are reported on the modified accrual basis of accounting which focuses on available expendable resources. This allows the reader to evaluate the City's short-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between the governmental funds and the government-wide financial statements.

**CITY OF CAVALIER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Enterprise funds are used to report activities that charge for services it provides to outside customers. The Enterprise funds are presented as business-type activities in the government-wide statements. The City of Cavalier uses enterprise funds to account for its Water, Sewer, Sanitation and Electric operations, all of which are reported as major funds. Proprietary fund statements provide the same type of information as the government-wide statements.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-52 of this report.

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

The following two tables present condensed information on the City's Net Position and Changes in Net Position for the fiscal year ended December 31, 2019. As noted earlier, net position may serve over time as a useful indicator of the City's financial position. The City of Cavalier's net position includes its investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City of Cavalier's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1 – Statement of Net Position

|  | Governmental Activities |                               | Business-Type Activities |                     |
|--|-------------------------|-------------------------------|--------------------------|---------------------|
|  | <u>12/31/19</u>         | <u>12/31/18</u><br>(Restated) | <u>12/31/19</u>          | <u>12/31/18</u>     |
| <b>ASSETS</b>                                    |                         |                               |                          |                     |
| Current assets                                   | \$ 3,554,273            | \$ 3,464,611                  | \$ 3,492,716             | \$ 3,044,130        |
| Capital assets (net of accumulated depreciation) | 6,834,486               | 6,776,816                     | 2,964,098                | 2,833,919           |
| Other assets                                     | 2,430,835               | 1,961,069                     | -                        | -                   |
| Total assets                                     | <u>12,819,594</u>       | <u>12,202,496</u>             | <u>6,456,814</u>         | <u>5,878,049</u>    |
| <br>   |                         |                               |                          |                     |
| DEFERRED OUTFLOWS OF RESOURCES                   | <u>143,545</u>          | <u>207,404</u>                | <u>128,568</u>           | <u>181,553</u>      |
| <br>   |                         |                               |                          |                     |
| <b>LIABILITIES</b>                               |                         |                               |                          |                     |
| Current liabilities                              | 333,642                 | 332,338                       | 191,683                  | 103,597             |
| Long-term liabilities                            | <u>3,412,244</u>        | <u>3,812,775</u>              | <u>502,608</u>           | <u>685,642</u>      |
| Total liabilities                                | <u>3,745,886</u>        | <u>4,145,113</u>              | <u>694,291</u>           | <u>789,239</u>      |
| <br>   |                         |                               |                          |                     |
| DEFERRED INFLOWS OF RESOURCES                    | <u>191,781</u>          | <u>64,338</u>                 | <u>184,315</u>           | <u>55,477</u>       |
| <br>   |                         |                               |                          |                     |
| <b>NET POSITION</b>                              |                         |                               |                          |                     |
| Net investment in capital assets                 | 3,451,889               | 3,193,271                     | 2,679,981                | 2,573,919           |
| Restricted                                       | 4,675,610               | 4,049,606                     | -                        | -                   |
| Unrestricted (deficit)                           | <u>897,973</u>          | <u>957,572</u>                | <u>3,026,795</u>         | <u>2,640,967</u>    |
| Total net position                               | <u>\$ 9,025,472</u>     | <u>\$ 8,200,449</u>           | <u>\$ 5,706,776</u>      | <u>\$ 5,214,886</u> |

**CITY OF CAVALIER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

The City of Cavalier's governmental activities net position increased by \$825,023 primarily resulting from receipt of the Airport Improvement Grant and business type activities net position increased by \$491,890.

Table 2 - Statement of Activities

|  | Governmental Activities |                               | Business-Type Activities |                     |
|--|-------------------------|-------------------------------|--------------------------|---------------------|
|  | <u>12/31/19</u>         | <u>12/31/18</u><br>(Restated) | <u>12/31/19</u>          | <u>12/31/18</u>     |
| <b>REVENUES</b>                              |                         |                               |                          |                     |
| Program Revenues:                            |                         |                               |                          |                     |
| Charges for services                         | \$ 60,708               | \$ 247,809                    | \$ 2,264,875             | \$ 2,317,120        |
| Operating grants                             | 152,163                 | -                             | 147,401                  | -                   |
| Capital grants and contributions             | 778,185                 | 473,205                       | -                        | -                   |
| Total program revenues                       | <u>991,056</u>          | <u>721,014</u>                | <u>2,412,276</u>         | <u>2,317,120</u>    |
| General Revenues:                            |                         |                               |                          |                     |
| Property taxes                               | 191,089                 | 154,118                       | -                        | -                   |
| Sales and use taxes                          | 494,814                 | 466,059                       | -                        | -                   |
| Special assessments                          | 95,514                  | 56,392                        | -                        | -                   |
| Intergovernmental                            | 98,062                  | 91,958                        | -                        | -                   |
| Sale of capital assets                       | -                       | 22,000                        | -                        | -                   |
| Other  | 267,634                 | 116,759                       | 31,755                   | 24,304              |
| Total general revenues                       | <u>1,147,113</u>        | <u>907,286</u>                | <u>31,755</u>            | <u>24,304</u>       |
| Total Revenues                               | <u>2,138,169</u>        | <u>1,628,300</u>              | <u>2,444,031</u>         | <u>2,341,424</u>    |
| <b>EXPENSES</b>                              |                         |                               |                          |                     |
| Governmental:                                |                         |                               |                          |                     |
| General government                           | 538,045                 | 533,984                       | -                        | -                   |
| Public safety                                | 360,850                 | 363,212                       | -                        | -                   |
| Highways and streets                         | 342,660                 | 331,755                       | -                        | -                   |
| Health and welfare                           | 96,179                  | 89,637                        | -                        | -                   |
| Culture and recreation                       | 105,425                 | 118,822                       | -                        | -                   |
| Other  | 135,680                 | 157,714                       | -                        | -                   |
| Interest                                     | 86,948                  | 90,094                        | -                        | -                   |
| Fiscal charges                               | 2,725                   | 2,850                         | -                        | -                   |
| Business type activities operating expenses: |                         |                               |                          |                     |
| Water  | -                       | -                             | 261,745                  | 315,955             |
| Sewer  | -                       | -                             | 106,536                  | 115,610             |
| Sanitation                                   | -                       | -                             | 278,570                  | 285,772             |
| Electric                                     | -                       | -                             | 949,924                  | 985,082             |
| Total expenses                               | <u>1,668,512</u>        | <u>1,688,068</u>              | <u>1,596,775</u>         | <u>1,702,419</u>    |
| Change in net position before transfers      | 469,657                 | (59,768)                      | 847,256                  | 639,005             |
| Transfers in (out)                           | <u>355,366</u>          | <u>379,217</u>                | <u>(355,366)</u>         | <u>(379,217)</u>    |
| Change in net position                       | 825,023                 | 319,449                       | 491,890                  | 259,788             |
| Net position beginning of year               | 8,200,449               | 7,902,356                     | 5,214,886                | 4,969,548           |
| GASB 75 Adjustment                           | <u>-</u>                | <u>(21,356)</u>               | <u>-</u>                 | <u>(14,450)</u>     |
| Net position end of year - Restated          | <u>\$ 9,025,472</u>     | <u>\$ 8,200,449</u>           | <u>\$ 5,706,776</u>      | <u>\$ 5,214,886</u> |

**CITY OF CAVALIER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**Budgetary Highlights**

The expenditures did not exceed budgeted amounts for the year ended December 31, 2019.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The City of Cavalier's capital assets for its governmental and business-type activities as of December 31, 2019, amounts to \$9,798,584 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings, improvements, machinery and equipment.

The following is a summary of capital asset activity for the year ended December 31, 2019 for the governmental activities and the business-type activities. Capital asset activity is shown in more detail in the notes to the financial statements (Note 3).

| <u>Business-Type Activities</u> | <u>Beginning<br/>Balance</u> | <u>Additions</u>  | <u>Disposals</u> | <u>Ending<br/>Balance</u> |
|---------------------------------|------------------------------|-------------------|------------------|---------------------------|
| Capital Assets                  | \$ 6,366,984                 | \$ 246,528        | \$ 140,578       | \$ 6,472,934              |
| Accumulated Depreciation        | <u>(3,533,065)</u>           | <u>(116,349)</u>  | <u>(140,578)</u> | <u>(3,508,836)</u>        |
| Net Capital Assets              | <u>\$ 2,833,919</u>          | <u>\$ 130,179</u> | <u>\$ -</u>      | <u>\$ 2,964,098</u>       |

| <u>Governmental Activities</u> | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Disposals</u> | <u>Ending<br/>Balance</u> |
|--------------------------------|------------------------------|------------------|------------------|---------------------------|
| Capital Assets                 | \$ 9,251,358                 | \$ 298,126       | \$ 154,379       | \$ 9,395,105              |
| Accumulated Depreciation       | <u>(2,474,542)</u>           | <u>(240,456)</u> | <u>(154,379)</u> | <u>(2,560,619)</u>        |
| Net Capital Assets             | <u>\$ 6,776,816</u>          | <u>\$ 57,670</u> | <u>\$ -</u>      | <u>\$ 6,834,486</u>       |

The significant additions for 2019 in the governmental activities consisted of projects in the General Fund in the amounts of \$169,699 for building and police department improvements and a Pines Street sewer extension project in the amount of \$128,427.

The significant additions for 2019 in the business-type activities consisted of additions in the Water Fund of \$196,518 for the water tower construction project.

**CITY OF CAVALIER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**Long-Term Debt**

At year-end, the City had total debt of \$4,221,149. Additional information on the City's debt can be found in Note 4 to the financial statements. The following is a summary of the long-term debt activity for the year ended December 31, 2019:

| <b>GOVERNMENTAL FUNDS</b>   |               |               |                     |                   |                   |                     |                     |                        |
|---|---------------|---------------|---------------------|-------------------|-------------------|---------------------|---------------------|------------------------|
| Issue   | Interest Rate | Maturity Date | Balance<br>12-31-18 | New<br>Issues     | Retired           | Other<br>Adjustment | Balance<br>12-31-19 | Due within<br>One Year |
| Scott & Lynda Humble-contract for deed                                      | 2%            | 7/1/20        | \$ 38,834           | \$ -              | \$ 19,225         | \$ -                | \$ 19,609           | \$ 19,609              |
| North Dakota Public Finance Authority                                       | 1.50%         | 9/1/48        | 593,654             | 22,637            | 16,692            | -                   | 599,599             | 20,000                 |
| \$2,025,000 Refunding Improvement Bonds of 2013                             | .5-3.75%      | 5/1/38        | 1,695,000           | -                 | 65,000            | -                   | 1,630,000           | 65,000                 |
| \$1,555,000 Refunding Improvement Bonds of 2014                             | .95-3.1%      | 5/1/29        | 1,180,000           | -                 | 95,000            | -                   | 1,085,000           | 100,000                |
| \$194,000 Refunding Improvement Bonds of 2014B                              | 1.80%         | 5/1/21        | 76,057              | -                 | 27,668            | -                   | 48,389              | 31,978                 |
| Net Pension Liability-Main  |               |               | 323,195             | -                 | -                 | (124,097)           | 199,098             | -                      |
| Net Pension Liability-Law Enforcement                                       |               |               | 104,139             | -                 | -                 | (59,724)            | 44,415              | -                      |
| Net OPEB Liability  |               |               | 24,750              | -                 | -                 | (2,029)             | 22,721              | -                      |
|   |               |               | <u>\$ 4,035,629</u> | <u>\$ 22,637</u>  | <u>\$ 223,585</u> | <u>\$ (185,850)</u> | <u>\$ 3,648,831</u> | <u>\$ 236,587</u>      |
| <b>ENTERPRISE FUNDS</b>   |               |               |                     |                   |                   |                     |                     |                        |
| Issue   | Interest Rate | Maturity Date | Balance<br>12-31-18 | New<br>Issues     | Retired           | Other<br>Adjustment | Balance<br>12-31-19 | Due within<br>One Year |
| North Dakota State Revolving Fund Lift Station Improvement District         | 0.50%         | 9/1/28        | \$ 260,000          | \$ -              | \$ 25,000         | \$ -                | \$ 235,000          | \$ 25,000              |
| North Dakota State Revolving Fund Drinking Water Bond - Water Tower Project | 1.50%         | 9/1/1949      | -                   | 196,469           | 147,352           | -                   | 49,117              | 44,710                 |
| Net Pension Liability-Main  |               |               | 431,234             | -                 | -                 | (161,116)           | 270,118             | -                      |
| Net OPEB Liability  |               |               | 19,408              | -                 | -                 | (1,325)             | 18,083              | -                      |
|   |               |               | <u>\$ 710,642</u>   | <u>\$ 196,469</u> | <u>\$ 172,352</u> | <u>\$ (162,441)</u> | <u>\$ 572,318</u>   | <u>\$ 69,710</u>       |

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City of Cavalier's elected and appointed officials considered many factors when setting next year's budget, tax rates, and fees that will be charged for the business-type activities.

As the city of Cavalier completed the year, the general fund reported a deficit of \$68,015 and the business-type activities reported a \$491,890 surplus. The primary reasons for the surpluses mirror the statement of revenues/expenditures highlighted on pages 16 and 19.

**CITY OF CAVALIER**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the City's finances and to demonstrate the City's accountability for the money it receives to the citizens of Cavalier, North Dakota. If you have any questions about this report or need further information, contact the City of Cavalier, at PO Box 750, Cavalier, ND 58220-0750.

**CITY OF CAVALIER**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2019**

|  | Governmental<br>Activities | Business-<br>Type<br>Activities | Total                |
|--|----------------------------|---------------------------------|----------------------|
| <b>ASSETS</b>  |                            |                                 |                      |
| Current Assets   |                            |                                 |                      |
| Cash and cash equivalents  | \$ 2,829,603               | \$ 3,229,106                    | \$ 6,058,709         |
| Investments  | 506,747                    | -                               | 506,747              |
| Receivables:   |                            |                                 |                      |
| Taxes  | 5,199                      | -                               | 5,199                |
| Special assessments  | 172,579                    | -                               | 172,579              |
| Accounts (net of uncollectible)                                  | 65,906                     | 237,259                         | 303,165              |
| Interest   | -                          | -                               | -                    |
| Notes receivable current portion                                 | 590                        | -                               | 590                  |
| Internal balances  | (26,351)                   | 26,351                          | -                    |
| Total current assets   | <u>3,554,273</u>           | <u>3,492,716</u>                | <u>7,046,989</u>     |
| Capital Assets-not being depreciated                             |                            |                                 |                      |
| Land   | 273,222                    | -                               | 273,222              |
| Construction in progress   | 2,143,619                  | 196,518                         | 2,340,137            |
| Capital Assets   |                            |                                 |                      |
| Buildings and improvements                                       | 688,524                    | 5,386,616                       | 6,075,140            |
| Equipment and vehicles   | 1,262,174                  | 889,800                         | 2,151,974            |
| Infrastructure   | 5,027,566                  | -                               | 5,027,566            |
| Construction in progress   | -                          | -                               | -                    |
| Less: Accumulated depreciation                                   | (2,560,619)                | (3,508,836)                     | (6,069,455)          |
| Net capital assets   | <u>6,834,486</u>           | <u>2,964,098</u>                | <u>9,798,584</u>     |
| Other Assets   |                            |                                 |                      |
| Special assessments-net of current                               | 2,410,835                  | -                               | 2,410,835            |
| Notes receivable-net of current                                  | 20,000                     | -                               | 20,000               |
|  | <u>2,430,835</u>           | <u>-</u>                        | <u>2,430,835</u>     |
| <b>TOTAL ASSETS</b>  | <u>12,819,594</u>          | <u>6,456,814</u>                | <u>19,276,408</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                            |                            |                                 |                      |
| Cost sharing defined benefit pension plan-NDPERS Main            | 90,888                     | 123,310                         | 214,198              |
| Cost sharing defined benefit pension plan-NDPERS Law Enforcement | 46,050                     | -                               | 46,050               |
| Cost sharing - OPEB  | 6,607                      | 5,258                           | 11,865               |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>                      | <u>143,545</u>             | <u>128,568</u>                  | <u>272,113</u>       |
| <b>LIABILITIES</b>   |                            |                                 |                      |
| Current Liabilities  |                            |                                 |                      |
| Accounts payable   | 43,172                     | 73,770                          | 116,942              |
| Salaries payable   | 26,244                     | 12,268                          | 38,512               |
| Payroll taxes payable  | 2,210                      | -                               | 2,210                |
| Interest payable   | 25,429                     | -                               | 25,429               |
| Deposits payable   | -                          | 35,935                          | 35,935               |
| Notes payable-Current portion                                    | 39,609                     | -                               | 39,609               |
| Bonds payable-Current portion                                    | 196,978                    | 69,710                          | 266,688              |
| Total current liabilities  | <u>333,642</u>             | <u>191,683</u>                  | <u>525,325</u>       |
| Long-term Liabilities  |                            |                                 |                      |
| Notes payable-Non current portion                                | 579,599                    | -                               | 579,599              |
| Bonds payable-Non-current portion                                | 2,566,411                  | 214,407                         | 2,780,818            |
| Net pension liability-Main                                       | 199,098                    | 270,118                         | 469,216              |
| Net pension liability-Law Enforcement                            | 44,415                     | -                               | 44,415               |
| Net OPEB liability   | 22,721                     | 18,083                          | 40,804               |
| Total long-term liabilities                                      | <u>3,412,244</u>           | <u>502,608</u>                  | <u>3,914,852</u>     |
| <b>TOTAL LIABILITIES</b>   | <u>3,745,886</u>           | <u>694,291</u>                  | <u>4,440,177</u>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                             |                            |                                 |                      |
| Cost sharing defined benefit pension plan-NDPERS Main            | 134,295                    | 182,202                         | 316,497              |
| Cost sharing defined benefit pension plan-NDPERS Law Enforcement | 54,831                     | -                               | 54,831               |
| Cost sharing - OPEB  | 2,655                      | 2,113                           | 4,768                |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                       | <u>191,781</u>             | <u>184,315</u>                  | <u>376,096</u>       |
| <b>NET POSITION</b>  |                            |                                 |                      |
| Net investment in capital assets                                 | 3,451,889                  | 2,679,981                       | 6,131,870            |
| Restricted-debt service  | 2,511,390                  | -                               | 2,511,390            |
| Restricted-Airport Authority                                     | 223,888                    | -                               | 223,888              |
| Restricted-other   | 205,522                    | -                               | 205,522              |
| Restricted-Capital projects and Roads                            | 1,521,001                  | -                               | 1,521,001            |
| Restricted-Community Development and Growth                      | 213,809                    | -                               | 213,809              |
| Unrestricted   | 897,973                    | 3,026,795                       | 3,924,768            |
| <b>TOTAL NET POSITION</b>  | <u>\$ 9,025,472</u>        | <u>\$ 5,706,776</u>             | <u>\$ 14,732,248</u> |

See Notes to the Financial Statements

**CITY OF CAVALIER**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

| Functions/Programs                                      | Program Revenues    |                      |                          |                          | Net (Expense) Revenue and Changes in Net Position |                          |                      |
|---|---------------------|----------------------|--------------------------|--------------------------|---|--------------------------|----------------------|
|   | Expenses            | Fees, Fines and      | Operating                | Capital                  | Primary Government                                |                          | Total                |
|   |                     | Charges for Services | Grants and Contributions | Grants and Contributions | Governmental Activities                           | Business-Type Activities |                      |
| <b>Governmental Activities</b>                          |                     |                      |                          |                          |   |                          |                      |
| Current   |                     |                      |                          |                          |   |                          |                      |
| General government                                      | \$ 538,045          | \$ 6,586             | \$ -                     | \$ -                     | \$ (531,459)                                      | \$ -                     | \$ (531,459)         |
| Public safety   | 360,850             | 7,798                | -                        | -                        | (353,052)   | -                        | (353,052)            |
| Highways and streets                                    | 342,660             | -                    | 152,163                  | 665,582                  | 475,085   | -                        | 475,085              |
| Health and welfare                                      | 96,179              | -                    | -                        | -                        | (96,179)  | -                        | (96,179)             |
| Culture and recreation                                  | 105,425             | 46,324               | -                        | -                        | (59,101)  | -                        | (59,101)             |
| Other   | 135,680             | -                    | -                        | 112,603                  | (23,077)  | -                        | (23,077)             |
| Debt service  |                     |                      |                          |                          |   |                          |                      |
| Interest  | 86,948              | -                    | -                        | -                        | (86,948)  | -                        | (86,948)             |
| Fiscal charges  | 2,725               | -                    | -                        | -                        | (2,725)   | -                        | (2,725)              |
| Total Governmental Activities                           | <u>1,668,512</u>    | <u>60,708</u>        | <u>152,163</u>           | <u>778,185</u>           | <u>(677,456)</u>                                  | <u>-</u>                 | <u>(677,456)</u>     |
| <b>Business-Type Activities</b>                         |                     |                      |                          |                          |   |                          |                      |
| Water   | 261,745             | 376,368              | -                        | 147,401                  | -   | 262,024                  | 262,024              |
| Sewer   | 106,536             | 165,416              | -                        | -                        | -   | 58,880                   | 58,880               |
| Sanitation  | 278,570             | 356,249              | -                        | -                        | -   | 77,679                   | 77,679               |
| Electric  | 949,924             | 1,366,842            | -                        | -                        | -   | 416,918                  | 416,918              |
| Total Business-Type Activities                          | <u>\$ 1,596,775</u> | <u>\$ 2,264,875</u>  | <u>\$ -</u>              | <u>\$ 147,401</u>        | <u>-</u>  | <u>815,501</u>           | <u>815,501</u>       |
| General Receipts:                                       |                     |                      |                          |                          |   |                          |                      |
| Property taxes  |                     |                      |                          |                          | 191,089   | -                        | 191,089              |
| Sales and use taxes                                     |                     |                      |                          |                          | 494,814   | -                        | 494,814              |
| Special assessments-interest                            |                     |                      |                          |                          | 95,514  | -                        | 95,514               |
| Intergovernmental (not restricted for specific program) |                     |                      |                          |                          |   |                          |                      |
| State   |                     |                      |                          |                          | 98,062  | -                        | 98,062               |
| Other general revenues                                  |                     |                      |                          |                          | 267,634   | 31,755                   | 299,389              |
| Transfers in (out)                                      |                     |                      |                          |                          | 355,366   | (355,366)                | -                    |
| Total General Receipts and Transfers                    |                     |                      |                          |                          | <u>1,502,479</u>                                  | <u>(323,611)</u>         | <u>1,178,868</u>     |
| Changes in Net Position                                 |                     |                      |                          |                          | <u>825,023</u>                                    | <u>491,890</u>           | <u>1,316,913</u>     |
| Net Position, January 1, as originally reported         |                     |                      |                          |                          | 8,219,622   | 5,214,886                | 13,434,508           |
| Prior Period Adjustments - See Note 10                  |                     |                      |                          |                          | (19,173)  | -                        | (19,173)             |
| Net Position - Beginning as restated                    |                     |                      |                          |                          | <u>8,200,449</u>                                  | <u>5,214,886</u>         | <u>13,415,335</u>    |
| Net Position, December 31                               |                     |                      |                          |                          | <u>\$ 9,025,472</u>                               | <u>\$ 5,706,776</u>      | <u>\$ 14,732,248</u> |

See Notes to the Financial Statements

**CITY OF CAVALIER**  
**BALANCE SHEET-GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2019**

|  | General           | Capital Projects    | Special Revenue Fund Airport Authority | Debt Service Funds       |                    | Other Governmental Funds | Total               |
|--|-------------------|---------------------|--|--------------------------|--------------------|--------------------------|---------------------|
|  |                   |                     |  | 2013 Utility Improvement | Street Improvement |                          |                     |
| <b>ASSETS</b>  |                   |                     |  |                          |                    |                          |                     |
| Cash and cash equivalents  | \$ 766,766        | \$ 847,637          | \$ 8,051                               | \$ 261,668               | \$ 161,673         | \$ 783,808               | \$ 2,829,603        |
| Investments  | 100,000           | -                   | 215,558                                | -                        | -                  | 191,189                  | 506,747             |
| Receivables:   |                   |                     |  |                          |                    |                          |                     |
| Taxes  | 3,947             | -                   | 279                                    | -                        | -                  | 973                      | 5,199               |
| Special assessments  | -                 | 648,600             | -                                      | 1,201,253                | 508,425            | 225,136                  | 2,583,414           |
| Accounts (net of uncollectible)  | 39,643            | -                   | -                                      | -                        | -                  | 26,263                   | 65,906              |
| Loans  | 20,000            | -                   | -                                      | -                        | -                  | 590                      | 20,590              |
| Due from other funds   | -                 | 23,015              | -                                      | -                        | -                  | -                        | 23,015              |
| <b>Total Assets</b>  | <b>\$ 930,356</b> | <b>\$ 1,519,252</b> | <b>\$ 223,888</b>                      | <b>\$ 1,462,921</b>      | <b>\$ 670,098</b>  | <b>\$ 1,227,959</b>      | <b>\$ 6,034,474</b> |
| <b>LIABILITIES</b>   |                   |                     |  |                          |                    |                          |                     |
| Accounts payable   | \$ 9,172          | \$ 34,000           | \$ -                                   | \$ -                     | \$ -               | \$ -                     | \$ 43,172           |
| Accrued salaries   | 26,244            | -                   | -                                      | -                        | -                  | -                        | 26,244              |
| Due to other funds   | -                 | -                   | -                                      | -                        | -                  | 49,366                   | 49,366              |
| Payroll taxes  | 2,210             | -                   | -                                      | -                        | -                  | -                        | 2,210               |
| <b>Total liabilities</b>   | <b>37,626</b>     | <b>34,000</b>       | <b>-</b>                               | <b>-</b>                 | <b>-</b>           | <b>49,366</b>            | <b>120,992</b>      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                     |                   |                     |  |                          |                    |                          |                     |
| Unavailable property taxes receivable                                    | 3,947             | -                   | 279                                    | -                        | -                  | 973                      | 5,199               |
| Delinquent special assessments   | -                 | -                   | -                                      | 12,788                   | 4,614              | 11,902                   | 29,304              |
| Uncertified special assessments  | -                 | 648,600             | -                                      | 1,188,465                | 503,811            | 213,234                  | 2,554,110           |
| <b>Total deferred inflows of resources</b>                               | <b>3,947</b>      | <b>648,600</b>      | <b>279</b>                             | <b>1,201,253</b>         | <b>508,425</b>     | <b>226,109</b>           | <b>2,588,613</b>    |
| <b>FUND BALANCE</b>  |                   |                     |  |                          |                    |                          |                     |
| Nonspendable   |                   |                     |  |                          |                    |                          |                     |
| Loans receivable   | 20,000            | -                   | -                                      | -                        | -                  | 590                      | 20,590              |
| Restricted   | -                 | 836,652             | 223,609                                | 261,668                  | 161,673            | 596,587                  | 2,080,189           |
| Committed  | -                 | -                   | -                                      | -                        | -                  | 378,322                  | 378,322             |
| Unassigned   | 868,783           | -                   | -                                      | -                        | -                  | (23,015)                 | 845,768             |
| <b>Total Fund Balance</b>  | <b>888,783</b>    | <b>836,652</b>      | <b>223,609</b>                         | <b>261,668</b>           | <b>161,673</b>     | <b>952,484</b>           | <b>3,324,869</b>    |
| <b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b> | <b>\$ 930,356</b> | <b>\$ 1,519,252</b> | <b>\$ 223,888</b>                      | <b>\$ 1,462,921</b>      | <b>\$ 670,098</b>  | <b>\$ 1,227,959</b>      | <b>\$ 6,034,474</b> |

See Notes to the Financial Statements

**CITY OF CAVALIER**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**DECEMBER 31, 2019**

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

|   |                    |                    |
|---|--------------------|--------------------|
| Total fund balance-governmental funds   | \$                 | 3,324,869          |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.  |                    |                    |
| Cost of Capital Assets  | \$ 9,395,105       |                    |
| Accumulated Depreciation  | <u>(2,560,619)</u> |                    |
| Net   |                    | 6,834,486          |
| Net deferred outflows (inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows (inflows) of resources in the governmental funds. |                    |                    |
|   |                    | (48,236)           |
| Property taxes, special assessments receivable and long-term receivables will not be collected soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.   |                    |                    |
|   |                    | 2,588,613          |
| Interest payable reported in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds.   |                    |                    |
|   |                    | (25,429)           |
| Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. These long-term liabilities consisted of the following:   |                    |                    |
| Notes Payable   | (619,208)          |                    |
| Bonds Payable   | (2,763,389)        |                    |
| Net Pension Liability-Main  | (199,098)          |                    |
| Net Pension Liability-Law Enforcement   | (44,415)           |                    |
| Net OPEB Liability  | <u>(22,721)</u>    |                    |
|   |                    | <u>(3,648,831)</u> |
| Total net position-governmental activities  | \$                 | <u>9,025,472</u>   |

See Notes to the Financial Statements

**CITY OF CAVALIER**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

|  | General           | Capital Projects  | Special                        | Debt Service Funds       |                    | Other              | Total               |
|--|-------------------|-------------------|--------------------------------|--------------------------|--------------------|--------------------|---------------------|
|  |                   |                   | Revenue Fund Airport Authority | 2013 Utility Improvement | Street Improvement | Governmental Funds |                     |
| <b>Revenues:</b>   |                   |                   |                                |                          |                    |                    |                     |
| Property taxes   | \$ 104,533        | \$ -              | \$ 26,899                      | \$ -                     | \$ -               | \$ 59,657          | \$ 191,089          |
| Sales and use taxes  | 485,298           | -                 | -                              | -                        | -                  | 9,516              | 494,814             |
| Special assessments  | -                 | -                 | -                              | 129,269                  | 77,394             | 51,882             | 258,545             |
| Licenses, permits and fees   | 571               | -                 | -                              | -                        | -                  | -                  | 571                 |
| Intergovernmental revenues   | 98,062            | 169,145           | 112,603                        | -                        | -                  | -                  | 379,810             |
| Charges for services   | 5,150             | -                 | 7,798                          | -                        | -                  | 46,324             | 59,272              |
| Fines and forfeits   | 865               | -                 | -                              | -                        | -                  | -                  | 865                 |
| Miscellaneous revenues   | 17,965            | 352               | 43,922                         | -                        | -                  | 205,395            | 267,634             |
| <b>Total revenues</b>  | <b>712,444</b>    | <b>169,497</b>    | <b>191,222</b>                 | <b>129,269</b>           | <b>77,394</b>      | <b>372,774</b>     | <b>1,652,600</b>    |
| <b>Expenditures:</b>   |                   |                   |                                |                          |                    |                    |                     |
| Current:   |                   |                   |                                |                          |                    |                    |                     |
| General government   | 417,126           | -                 | -                              | -                        | -                  | 2,065              | 419,191             |
| Public safety  | 172,581           | -                 | -                              | -                        | -                  | 128,937            | 301,518             |
| Highways and streets   | 159,186           | 152,163           | -                              | -                        | -                  | -                  | 311,349             |
| Health and welfare   | 96,179            | -                 | -                              | -                        | -                  | -                  | 96,179              |
| Culture and recreation   | 66,058            | -                 | -                              | -                        | -                  | 39,367             | 105,425             |
| Other  | -                 | -                 | 62,740                         | -                        | -                  | 36,530             | 99,270              |
| Capital outlay   | 9,995             | 101,403           | 91,728                         | -                        | -                  | 95,000             | 298,126             |
| Debt service:  |                   |                   |                                |                          |                    |                    |                     |
| Principal retirement   | -                 | -                 | -                              | 65,000                   | 95,000             | 63,584             | 223,584             |
| Interest   | -                 | -                 | -                              | 51,255                   | 29,133             | 8,221              | 88,609              |
| Fiscal charges   | -                 | -                 | -                              | 425                      | 500                | 1,800              | 2,725               |
| <b>Total expenditures</b>  | <b>921,125</b>    | <b>253,566</b>    | <b>154,468</b>                 | <b>116,680</b>           | <b>124,633</b>     | <b>375,504</b>     | <b>1,945,976</b>    |
| Excess of Revenues Over<br>(Under) Expenditures                      | (208,681)         | (84,069)          | 36,754                         | 12,589                   | (47,239)           | (2,730)            | (293,376)           |
| <b>Other Financing Sources (Uses):</b>                               |                   |                   |                                |                          |                    |                    |                     |
| Proceeds from debt issuance  | -                 | 22,637            | -                              | -                        | -                  | -                  | 22,637              |
| Operating transfers in   | 390,666           | 160,000           | -                              | -                        | 40,000             | 50,000             | 640,666             |
| Operating transfers out  | (250,000)         | -                 | -                              | -                        | -                  | (35,300)           | (285,300)           |
| <b>Total other financing sources (uses)</b>                          | <b>140,666</b>    | <b>182,637</b>    | <b>-</b>                       | <b>-</b>                 | <b>40,000</b>      | <b>14,700</b>      | <b>378,003</b>      |
| <b>Net Change in Fund Balances</b>                                   | <b>(68,015)</b>   | <b>98,568</b>     | <b>36,754</b>                  | <b>12,589</b>            | <b>(7,239)</b>     | <b>11,970</b>      | <b>84,627</b>       |
| Fund Balance (Deficit), Beginning of Year, As<br>Originally Reported | 945,089           | 738,084           | 186,855                        | 249,079                  | 168,912            | 971,396            | 3,259,415           |
| Prior Period Adjustment - See Note 10                                | 11,709            | -                 | -                              | -                        | -                  | (30,882)           | (19,173)            |
| Beginning of Year, As Restated                                       | 956,798           | 738,084           | 186,855                        | 249,079                  | 168,912            | 940,514            | 3,240,242           |
| <b>Fund Balance (Deficit), End of Year</b>                           | <b>\$ 888,783</b> | <b>\$ 836,652</b> | <b>\$ 223,609</b>              | <b>\$ 261,668</b>        | <b>\$ 161,673</b>  | <b>\$ 952,484</b>  | <b>\$ 3,324,869</b> |

See Notes to the Financial Statements

**CITY OF CAVALIER**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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

|   |    |                       |
|---|----|-----------------------|
| Net change in fund balance- total governmental funds  | \$ | 84,627                |
| <p>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 as depreciation expense. In the current period, these amounts are:</p>   |    |                       |
| Capital asset purchases capitalized   | \$ | 298,126               |
| Depreciation expense  |    | <u>(240,456)</u>      |
| Excess of capital outlay over depreciation expense  |    | 57,670                |
| Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position.   |    | 223,585               |
| The issuance of long-term liabilities provides current financial resources to governmental funds, however, issuing debt increases long-term liabilities in the Statement of Net Position.   |    | (22,637)              |
| Some revenues will not be collected for several months after the City's fiscal year end. These revenues are not considered "available" revenues in the governmental funds. These consist of:  |    |                       |
| Net change in special assessments   |    | 485,569               |
| Changes in deferred outflows and inflows of resources related to net pension & OPEB liability   |    | (191,302)             |
| Change in net pension & OPEB liability  |    | 185,850               |
| Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. |    | <u>1,661</u>          |
| Net change in net position of governmental activities   | \$ | <u><u>825,023</u></u> |

See Notes to the Financial Statements

**CITY OF CAVALIER**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2019**

|  | <u>Water</u>        | <u>Sewer</u>        | <u>Sanitation</u> | <u>Electric</u>     | <u>Total</u>        |
|--|---------------------|---------------------|-------------------|---------------------|---------------------|
| <b>ASSETS</b>                                    |                     |                     |                   |                     |                     |
| Current assets                                   |                     |                     |                   |                     |                     |
| Cash and cash equivalents                        | \$ 729,666          | \$ 552,457          | \$ 491,589        | \$ 1,455,394        | \$ 3,229,106        |
| Receivables:                                     |                     |                     |                   |                     |                     |
| Accounts (net of uncollectible)                  | 41,189              | 14,204              | 26,256            | 155,610             | 237,259             |
| Due from other funds                             | -                   | -                   | -                 | 26,351              | 26,351              |
| Total current assets                             | <u>770,855</u>      | <u>566,661</u>      | <u>517,845</u>    | <u>1,637,355</u>    | <u>3,492,716</u>    |
| Capital Assets-not being depreciated             |                     |                     |                   |                     |                     |
| Construction in process                          | 196,518             | -                   | -                 | -                   | 196,518             |
| Capital Assets                                   |                     |                     |                   |                     |                     |
| Buildings and improvements                       | 1,820,528           | 3,263,840           | 59,639            | 242,609             | 5,386,616           |
| Equipment and vehicles                           | 173,072             | 40,421              | 277,297           | 399,010             | 889,800             |
| Less: Accum. depreciation                        | (1,103,605)         | (1,647,263)         | (222,103)         | (535,865)           | (3,508,836)         |
| Net capital assets                               | <u>1,086,513</u>    | <u>1,656,998</u>    | <u>114,833</u>    | <u>105,754</u>      | <u>2,964,098</u>    |
| <b>TOTAL ASSETS</b>                              | <u>1,857,368</u>    | <u>2,223,659</u>    | <u>632,678</u>    | <u>1,743,109</u>    | <u>6,456,814</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>            |                     |                     |                   |                     |                     |
| Cost sharing defined benefit pension plan-NDPERS | 8,866               | 8,538               | 35,959            | 69,947              | 123,310             |
| Cost sharing - OPEB                              | 378                 | 364                 | 1,533             | 2,983               | 5,258               |
| Total deferred outflows                          | <u>9,244</u>        | <u>8,902</u>        | <u>37,492</u>     | <u>72,930</u>       | <u>128,568</u>      |
| <b>LIABILITIES</b>                               |                     |                     |                   |                     |                     |
| Current  |                     |                     |                   |                     |                     |
| Accounts payable                                 | 11,958              | -                   | 3,801             | 58,011              | 73,770              |
| Accrued salaries                                 | 862                 | 829                 | 3,804             | 6,773               | 12,268              |
| Deposits   | -                   | -                   | -                 | 35,935              | 35,935              |
| Bonds payable-Current portion                    | 44,710              | 25,000              | -                 | -                   | 69,710              |
| Total current liabilities                        | <u>57,530</u>       | <u>25,829</u>       | <u>7,605</u>      | <u>100,719</u>      | <u>191,683</u>      |
| Long-Term  |                     |                     |                   |                     |                     |
| Bonds payable-Long-term portion                  | 4,407               | 210,000             | -                 | -                   | 214,407             |
| Net pension liability                            | 19,422              | 18,702              | 78,770            | 153,224             | 270,118             |
| Net OPEB liability                               | 1,300               | 1,252               | 5,273             | 10,258              | 18,083              |
| Total long-term liabilities                      | <u>25,129</u>       | <u>229,954</u>      | <u>84,043</u>     | <u>163,482</u>      | <u>502,608</u>      |
| <b>TOTAL LIABILITIES</b>                         | <u>82,659</u>       | <u>255,783</u>      | <u>91,648</u>     | <u>264,201</u>      | <u>694,291</u>      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>             |                     |                     |                   |                     |                     |
| Cost sharing defined benefit pension plan-NDPERS | 13,101              | 12,615              | 53,133            | 103,353             | 182,202             |
| Cost sharing- OPEB                               | 152                 | 146                 | 616               | 1,199               | 2,113               |
| Total deferred inflows                           | <u>13,253</u>       | <u>12,761</u>       | <u>53,749</u>     | <u>104,552</u>      | <u>184,315</u>      |
| <b>NET POSITION</b>                              |                     |                     |                   |                     |                     |
| Net Investment in Capital Assets                 | 840,878             | 1,421,998           | 114,833           | 105,754             | 2,483,463           |
| Unrestricted                                     | 929,822             | 542,019             | 409,940           | 1,341,532           | 3,223,313           |
| <b>TOTAL NET POSITION</b>                        | <u>\$ 1,770,700</u> | <u>\$ 1,964,017</u> | <u>\$ 524,773</u> | <u>\$ 1,447,286</u> | <u>\$ 5,706,776</u> |

See Notes to the Financial Statements

**CITY OF CAVALIER**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

|   | <u>Water</u>        | <u>Sewer</u>        | <u>Sanitation</u> | <u>Electric</u>     | <u>Total</u>        |
|---|---------------------|---------------------|-------------------|---------------------|---------------------|
| <b>Operating Revenues:</b>                |                     |                     |                   |                     |                     |
| Charges for services                      | \$ 376,368          | \$ 165,416          | \$ 356,249        | \$ 1,366,842        | \$ 2,264,875        |
| <b>Operating Expenses:</b>                |                     |                     |                   |                     |                     |
| Salaries                                  | 17,301              | 19,521              | 89,395            | 162,728             | 288,945             |
| Employee benefits                         | 12,742              | 12,359              | 60,612            | 84,921              | 170,634             |
| Property and liability insurance          | 1,447               | 1,812               | 2,198             | 2,841               | 8,298               |
| Power purchased                           | -                   | -                   | -                 | 495,019             | 495,019             |
| Water purchased                           | 160,653             | -                   | -                 | -                   | 160,653             |
| Supplies                                  | 2,259               | 5,110               | 7,209             | 40,170              | 54,748              |
| Chemicals                                 | -                   | 3,516               | -                 | -                   | 3,516               |
| Purchased services                        | -                   | -                   | 61,026            | -                   | 61,026              |
| Repairs                                   | 182                 | 889                 | 16,229            | 2,584               | 19,884              |
| Gas and oil                               | 666                 | 962                 | 13,521            | 1,602               | 16,751              |
| Other administrative expenses             | 16,409              | 4,844               | 4,378             | 4,172               | 29,803              |
| Other production expense                  | 9,623               | 2,736               | -                 | 142,007             | 154,366             |
| Professional fees                         | 6,195               | 2,755               | 2,755             | 3,778               | 15,483              |
| Interest                                  | -                   | 1,300               | -                 | -                   | 1,300               |
| Depreciation                              | 34,268              | 50,732              | 21,247            | 10,102              | 116,349             |
| Total operating expenses                  | <u>261,745</u>      | <u>106,536</u>      | <u>278,570</u>    | <u>949,924</u>      | <u>1,596,775</u>    |
| Operating Income                          | <u>114,623</u>      | <u>58,880</u>       | <u>77,679</u>     | <u>416,918</u>      | <u>668,100</u>      |
| <b>Non Operating Revenues ( Expenses)</b> |                     |                     |                   |                     |                     |
| Interest earnings                         | 4,934               | 2,549               | 1,204             | 11,417              | 20,104              |
| State grant revenue                       | 147,401             | -                   | -                 | -                   | 147,401             |
| Other revenues                            | 1,399               | -                   | 3,210             | 7,042               | 11,651              |
| Total non operating revenues (expenses)   | <u>153,734</u>      | <u>2,549</u>        | <u>4,414</u>      | <u>18,459</u>       | <u>179,156</u>      |
| <b>Transfers:</b>                         |                     |                     |                   |                     |                     |
| In  | -                   | 26,300              | -                 | -                   | 26,300              |
| Out                                       | (63,333)            | (31,250)            | (63,333)          | (223,750)           | (381,666)           |
| Net operating transfers                   | <u>(63,333)</u>     | <u>(4,950)</u>      | <u>(63,333)</u>   | <u>(223,750)</u>    | <u>(355,366)</u>    |
| Net Income (Loss)                         | 205,024             | 56,479              | 18,760            | 211,627             | 491,890             |
| Net Position, Beginning of Year           | <u>1,565,676</u>    | <u>1,907,538</u>    | <u>506,013</u>    | <u>1,235,659</u>    | <u>5,214,886</u>    |
| Net Position, End of Year                 | <u>\$ 1,770,700</u> | <u>\$ 1,964,017</u> | <u>\$ 524,773</u> | <u>\$ 1,447,286</u> | <u>\$ 5,706,776</u> |

See Notes to the Financial Statements

**CITY OF CAVALIER**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

|   | <u>Water</u>      | <u>Sewer</u>      | <u>Sanitation</u> | <u>Electric</u>     | <u>Total</u>        |
|---|-------------------|-------------------|-------------------|---------------------|---------------------|
| <b>CASH FLOWS FROM (TO) OPERATING ACTIVITIES</b>  |                   |                   |                   |                     |                     |
| Cash received from customers  | \$ 376,821        | \$ 168,425        | \$ 362,954        | \$ 1,371,229        | \$ 2,279,429        |
| Cash payments to suppliers  | (213,892)         | (34,609)          | (156,546)         | (750,027)           | (1,155,074)         |
| Cash paid to employees  | (17,301)          | (19,521)          | (89,395)          | (162,728)           | (288,945)           |
| Net cash flow from operating activities   | <u>145,628</u>    | <u>114,295</u>    | <u>117,013</u>    | <u>458,474</u>      | <u>835,410</u>      |
| <b>CASH FLOWS FROM (TO) NON-CAPITAL FINANCING ACTIVITIES</b>                            |                   |                   |                   |                     |                     |
| Cash received from other funds (Due from other funds)                                   | -                 | -                 | -                 | -                   | -                   |
| Operating transfers in from other funds   | -                 | 26,300            | -                 | -                   | 26,300              |
| Operating transfers out to other funds  | (63,333)          | (31,250)          | (63,333)          | (223,750)           | (381,666)           |
| Net cash flow from non-capital financing activities                                     | <u>(63,333)</u>   | <u>(4,950)</u>    | <u>(63,333)</u>   | <u>(223,750)</u>    | <u>(355,366)</u>    |
| <b>CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES</b>                    |                   |                   |                   |                     |                     |
| Purchases of property and equipment   | (196,518)         | (25,005)          | -                 | (25,005)            | (246,528)           |
| Grant proceeds  | 147,401           | -                 | -                 | -                   | 147,401             |
| Miscellaneous revenues  | 1,399             | -                 | 3,210             | 7,042               | 11,651              |
| Sale of assets  | -                 | -                 | -                 | -                   | -                   |
| Proceeds from debt issuance   | 196,469           | -                 | -                 | -                   | 196,469             |
| Payment on long-term borrowing  | (147,352)         | (25,000)          | -                 | -                   | (172,352)           |
| Net cash flow from capital and related financing activities                             | <u>1,399</u>      | <u>(50,005)</u>   | <u>3,210</u>      | <u>(17,963)</u>     | <u>(63,359)</u>     |
| <b>CASH FLOWS FROM (TO) INVESTING ACTIVITIES</b>  |                   |                   |                   |                     |                     |
| Interest earnings   | 4,934             | 2,549             | 1,204             | 11,417              | 20,104              |
| Net cash flow from investing activities   | <u>4,934</u>      | <u>2,549</u>      | <u>1,204</u>      | <u>11,417</u>       | <u>20,104</u>       |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS                                    | 88,628            | 61,889            | 58,094            | 228,178             | 436,789             |
| CASH AND CASH EQUIVALENTS, JANUARY 1, 2019  | <u>641,038</u>    | <u>490,568</u>    | <u>433,495</u>    | <u>1,227,216</u>    | <u>2,792,317</u>    |
| CASH AND CASH EQUIVALENTS, DECEMBER 31, 2019  | <u>\$ 729,666</u> | <u>\$ 552,457</u> | <u>\$ 491,589</u> | <u>\$ 1,455,394</u> | <u>\$ 3,229,106</u> |
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                   |                   |                   |                     |                     |
| Operating income  | \$ 114,623        | \$ 58,880         | \$ 77,679         | \$ 416,918          | \$ 668,100          |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                   |                   |                   |                     |                     |
| Depreciation  | 34,268            | 50,732            | 21,247            | 10,102              | 116,349             |
| Changes in assets and liabilities   |                   |                   |                   |                     |                     |
| (Increase)/Decrease in accounts receivable  | 453               | 3,009             | 6,705             | 4,387               | 14,554              |
| (Increase)/Decrease in deferred outflows of resources                                   | 3,796             | 3,652             | 15,088            | 30,449              | 52,985              |
| Increase/(Decrease) in accounts payable   | (1,398)           | -                 | 3,801             | 5,316               | 7,719               |
| Increase/(Decrease) in accrued salaries   | 315               | 304               | 1,437             | 2,459               | 4,515               |
| Increase/(Decrease) in payroll taxes  | (4,052)           | -                 | (158)             | 3,481               | (729)               |
| Increase/(Decrease) in customer deposits  | -                 | -                 | -                 | 5,519               | 5,519               |
| Increase/(Decrease) in deferred inflows of resources                                    | 9,268             | 8,925             | 37,682            | 72,963              | 128,838             |
| Increase/(Decrease) in net pension liability  | (11,551)          | (11,117)          | (46,120)          | (92,327)            | (161,115)           |
| Increase/(Decrease) in OPEB liability   | (94)              | (90)              | (348)             | (793)               | (1,325)             |
| Net cash provided (used) by operating activities  | <u>\$ 145,628</u> | <u>\$ 114,295</u> | <u>\$ 117,013</u> | <u>\$ 458,474</u>   | <u>\$ 835,410</u>   |

See Notes to the Financial Statements

**CITY OF CAVALIER**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The City of Cavalier complies with accounting principles generally accepted in the United States of America (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The City of Cavalier is a municipality in which citizens elect the mayor at large and six council members by wards. The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or financial accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

The City uses the criteria established by GASB Statement No. 61, *Financial Reporting Entity*, in determining which component units should be included. The criteria include, but are not limited to, 1) appointing a voting majority of an organization's governing board, and 2) the ability of the entity to impose its will on that organization or 3) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the entity. Reporting units are further defined as a legally separate, tax exempt affiliated organization that meet all of the following criteria:

- The economic resources of the organization entirely or almost entirely directly benefit the City or its constituents, and
- The City or its component units are entitled to or can otherwise access, a majority of the economic resources of the organization, and
- The economic resources that the City is entitled to, or can otherwise access, are significant to the City.

The City has determined that no component units meet the above criteria and, therefore, none have been included as component units in the City's financial statements.

**Basis of Presentation**

*Government-Wide Financial Statements*

The Statement of Net Position and Statement of Activities display information about the reporting government taken as a whole. They include all funds of the reporting entity except any fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange receipts. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

*Fund Financial Statements*

Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are typically organized into three categories: governmental, proprietary and fiduciary.

**CITY OF CAVALIER**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of an individual fund are at least 10 percent of the corresponding total for all funds of that type, AND
2. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of the individual fund are at least 5% of the corresponding total for the total of all governmental and enterprise funds combined.

Major funds for the governmental funds are the General Fund, Capital Projects Fund, Special Revenue Fund – Airport Authority, Debt Service Fund-2013 Utility Improvement, and Debt Service Fund-Street Improvement.

Major proprietary funds include the water fund, sewer fund, sanitation fund and electric fund.

*Governmental Funds*

General Fund

The general fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt, principal and interest.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

*Proprietary Funds*

Enterprise Funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activities focuses on net income measurement similar to the private sector. The City includes all of the enterprise funds as major, which consist of the Water, Sewer, Sanitation and Electric Funds.

**CITY OF CAVALIER**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

*Fiduciary Funds*

The reporting focus of fiduciary funds is on net assets. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Currently, the City of Cavalier has no fiduciary funds.

**Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe the recognition of revenues and expenditures within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

*Measurement Focus*

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is 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 items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the “current financial resources” measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures and claims and judgments (if any), are recorded only when payment is due.

If both restricted and unrestricted resources are available to use for the same purpose, it is the City’s policy to use restricted resources first, and then unrestricted resources as they are needed.

**Cash and Equivalents**

In accordance with government accounting standards, the City considers cash equivalents to be temporary investments, which are readily convertible to cash, such as commercial paper and treasury bills of less than three months.

Investments consist solely of certificates of deposit with maturities of longer than three months.

**Fair Value Measurements**

The City accounts for all assets and liabilities that are being measured and reported on a fair value basis in accordance with GAAP. GAAP defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements.

When fair value measurements are required, various data is used in determining those values. This statement requires that assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

**CITY OF CAVALIER**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

### **Revenues**

The City has the following program revenues: fees, fines and charges for services, operating and capital grants or contributions that are specific to a program. All other governmental revenues and general tax levies are classified as general revenues.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, special assessments, intergovernmental revenues and investment income.

Operating revenues and expenses in the enterprise funds consist of user fees, sales, charges for services and the related income and expenses associated with providing those sales and services. Non-operating revenues and expenses consist of contributions, grants, rents, interest and other miscellaneous items not associated with the services the fund is providing.

### **Revenues-Exchange and Non-Exchange Transactions**

Exchange transactions are transactions in which each party gives and receives essentially equal value. Under the accrual basis of accounting, revenue for exchange transactions is recorded when the exchange takes place. Under the modified accrual basis of accounting, revenue for exchange transactions is recorded when the resources are measurable and available.

Non-exchange transactions include transactions in which the City receives value without directly providing value in return. Non-exchange transactions include property taxes, grants, entitlements, and donations.

Under the accrual basis of accounting, property taxes are recorded as revenue in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recorded in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenue from non-exchange transactions must also be available before it is recorded in the financial records of the City.

Revenue sources susceptible to accrual include: property taxes, intergovernmental revenues and investment income.

### **Property Taxes**

Property taxes attach as an enforceable lien on January 1<sup>st</sup> of the year collectible. A 5% reduction is allowed if paid by February 15<sup>th</sup>. Penalty and interest are added March 1<sup>st</sup> unless the first half of the taxes has been paid. Additional penalties are added October 15<sup>th</sup> if taxes are not paid.

Property taxes are all considered susceptible to accrual and so have been recognized as revenues in the current fiscal period. However, delinquent taxes may not be collected soon enough in the following year to be available for current expenditures, therefore offset by deferred revenue.

**CITY OF CAVALIER**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**Unearned Revenues**

Unearned revenue arises when assets are recognized in the financial statements before the revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenues.

**Inventory**

Inventories of supplies are stated at cost determined on a first-in, first-out basis. They are recorded as an expense at the time individual inventory items are used.

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure (i.e. roads, bridges, sidewalks, storm sewers and similar improvements), are reported in the government-wide statements in the applicable governmental or business-type activities column and in the proprietary fund statements. Capital assets that have been purchased or constructed have been valued at historical cost or estimated historical cost. Donated assets are recorded at acquisition value at the date of donation. The City has established a capitalization threshold of \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation on exhaustible capital assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of useful lives by type of asset is as follows:

|                           |               |
|---------------------------|---------------|
| Building and improvements | 15 – 50 years |
| Equipment and vehicles    | 5 – 25 years  |
| Infrastructure            | 50 years      |

**Long-Term Debt**

In the government-wide statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities and proprietary fund financial statements.

In the governmental fund financial statements, long-term debt is not recognized as a liability. Instead, proceeds from the issuance of debt and repayment of debt principal are recognized as "Other Financing Sources" and "Expenditures", respectively, in the fund financial statements.

**Compensated Absences**

Staff of the City can accumulate leave up to a total of 10 days (80 hours). Compensated absences are recognized when paid.

Sick leave is recorded as an expenditure or expense when paid. Employees are not compensated for unused sick leave.

**CITY OF CAVALIER**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

**Net Position**

In the government-wide financial statements, equity is classified as “net position” and displayed in three components:

1. Net Investment in Capital Assets – Consists of the remaining undepreciated cost of the assets less the outstanding debt associated with the purchase or construction of the related asset.
2. Restricted Net Position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

**Fund Balance**

The difference between assets, deferred inflows/outflows and liabilities is “Net Position” on the government wide financial statements and “Fund Balance” on the governmental fund financial statements.

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, committed, assigned or unassigned.

Non-spendable fund balance represents a portion of fund balance that includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance represents a portion of fund balance that reflects constraints placed on the use of resources (other than non-spendable items) that are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision making authority which is the Board through a resolution.

Assigned fund balance represents amounts constrained by the government’s intent to be used for specific purposes, but neither restricted nor committed. The assigned amounts are determined by the Board.

Unassigned fund balance represents residual classification for the general fund. This classification represents fund balance not assigned to other funds and not restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it would be necessary to report a negative unassigned fund balance.

**CITY OF CAVALIER**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

The first priority is to utilizing the restricted before unrestricted fund balance when both are available. Committed funds will be considered spent first when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used like assigned or unassigned.

**Minimum Fund Balance Policy**

The Council has not formally adopted a fund balance policy for the General Fund.

**Encumbrances**

Encumbrances, which represent commitments related to unperformed contracts for goods or services, have not been recorded in the financial statements.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Significant Group Concentrations of Credit Risk**

As of December 31, 2019, the City's receivables consist of amounts owed from the local area businesses and individuals for utility services. The City does not require collateral or other security.

**Inter-fund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Inter-fund activities within the City's governmental activities and its business-type activities, are eliminated in the statement of activities.

**Pensions**

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

**CITY OF CAVALIER**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**Other Post Employment Benefits (OPEB)**

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

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will *not* be recognized as an outflow of resource (expense/expenditure) until then. The City has three items reported on the statement of net position as *cost-sharing defined benefit pension plan* and *deferred resources - OPEB* which represents actuarial differences within the NDPERS pension and OPEB plans as well as amounts paid to the plans after the measurement date. See notes 5 and 6 for more details.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has three types of items, which arise only under a modified accrual basis of accounting, that qualify for reporting in this category. Accordingly, the items, *unavailable property taxes*, *delinquent special assessments* and *uncertified special assessments* are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources, property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also has three items reported on the statement of net position as *cost sharing benefit pension plans* and *deferred resources - OPEB*, which represents the actuarial differences within the NDPERS pension and OPEB plans. See notes 5 and 6 for more details.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

The City maintains a cash pool of which each fund's portion of the pool is displayed on their respective balance sheet as cash and cash equivalents. In addition, non-pooled investments are separately held and reflected in their respective funds balance sheet as investments.

The City's investments consist of certificates of deposit with maturities of less than one year and are considered level 1 for fair value measurement.

In accordance with North Dakota laws, the City maintains deposits at depositories authorized by the city council. The depositories are members of the Federal Reserve System.

State statutes require that market value of collateral pledged to secure deposits not covered by insurance must equal 110% of the deposits. The City's cash and investments are held by the designated depository. The City's deposits and investments were covered by Federal Depository Insurance or collateral held in safekeeping in the City's name.

**CITY OF CAVALIER**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**Interest Rate Risk**

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk**

State statutes authorize local governments to invest in:

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

**NOTE 3 - ACCOUNTS RECEIVABLE**

Accounts receivable consists of amounts on open account from individuals for goods and services furnished by the City. The carrying amount of the accounts receivable is reduced by an amount that reflects management's best estimates of the amount that will not be collected. As of December 31, 2019 management has not deemed any accounts uncollectible. The City has accounts receivable totaling \$65,906 for governmental activities and \$237,259 for business-type activities recorded at December 31, 2019

**NOTE 4 - CAPITAL ASSETS**

Changes in capital assets for the governmental activities for the year ended December 31, 2019 are as follows:

|   | Beginning<br>Balance | Additions        | Disposals      | Ending<br>Balance   |
|---|----------------------|------------------|----------------|---------------------|
| Governmental Activities Capital Assets: |                      |                  |                |                     |
| Non Depreciable                         |                      |                  |                |                     |
| Land                                    | \$ 273,222           | \$ -             | \$ -           | \$ 273,222          |
| Construction in progress                | 2,015,192            | 128,427          | -              | \$ 2,143,619        |
| Depreciable                             |                      |                  |                |                     |
| Buildings and improvements              | 525,562              | 169,699          | 6,737          | 688,524             |
| Equipment and vehicles                  | 1,409,816            | -                | 147,642        | 1,262,174           |
| Infrastructure                          | 5,027,566            | -                | -              | 5,027,566           |
| Total Gov't Activities Capital Assets   | <u>9,251,358</u>     | <u>298,126</u>   | <u>154,379</u> | <u>9,395,105</u>    |
| Accumulated Depreciation                |                      |                  |                |                     |
| Buildings and improvements              | 278,571              | 12,653           | 6,737          | 284,487             |
| Equipment and vehicles                  | 1,036,022            | 89,635           | 147,642        | 978,015             |
| Infrastructure                          | 1,159,949            | 138,168          | -              | 1,298,117           |
| Total Accumulated Depreciation          | <u>2,474,542</u>     | <u>240,456</u>   | <u>154,379</u> | <u>2,560,619</u>    |
| Net Capital Assets - Gov't Activities   | <u>\$ 6,776,816</u>  | <u>\$ 57,670</u> | <u>\$ -</u>    | <u>\$ 6,834,486</u> |

**CITY OF CAVALIER**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Changes in capital assets for the business-type activities for the year ended December 31, 2019 are as follows:

|   | <u>Beginning<br/>Balance</u> | <u>Additions</u>   | <u>Disposals</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|--------------------|------------------|---------------------------|
| <b>Business-Type Activities Capital Assets:</b> |                              |                    |                  |                           |
| <b>Water</b>                                    |                              |                    |                  |                           |
| Buildings and improvements                      | \$ 1,820,528                 | \$ -               | \$ -             | \$ 1,820,528              |
| Equipment and vehicles                          | 173,072                      | -                  | -                | 173,072                   |
| Construction in progress                        | -                            | 196,518            | -                | 196,518                   |
| <b>Total Water Capital Assets</b>               | <u>1,993,600</u>             | <u>196,518</u>     | <u>-</u>         | <u>2,190,118</u>          |
| <br>  |                              |                    |                  |                           |
| Water Accum. Depreciation                       |                              |                    |                  |                           |
| Buildings and improvements                      | 992,113                      | 25,936             | -                | 1,018,049                 |
| Equipment and vehicles                          | 77,224                       | 8,332              | -                | 85,556                    |
| <b>Total Water Accum Dep.</b>                   | <u>1,069,337</u>             | <u>34,268</u>      | <u>-</u>         | <u>1,103,605</u>          |
| <b>Net Capital Assets - Water</b>               | <u>\$ 924,263</u>            | <u>\$ 162,250</u>  | <u>\$ -</u>      | <u>\$ 1,086,513</u>       |
| <br>  |                              |                    |                  |                           |
|   | <u>Beginning<br/>Balance</u> | <u>Additions</u>   | <u>Disposals</u> | <u>Ending<br/>Balance</u> |
| <b>Sewer</b>                                    |                              |                    |                  |                           |
| Buildings and improvements                      | \$ 3,263,840                 | \$ -               | \$ -             | \$ 3,263,840              |
| Equipment and vehicles                          | 40,416                       | 25,005             | 25,000           | 40,421                    |
| <b>Total Sewer Capital Assets</b>               | <u>3,304,256</u>             | <u>25,005</u>      | <u>25,000</u>    | <u>3,304,261</u>          |
| <br>  |                              |                    |                  |                           |
| Sewer Accum. Depreciation                       |                              |                    |                  |                           |
| Buildings and improvements                      | 1,585,086                    | 48,084             | -                | 1,633,170                 |
| Equipment and vehicles                          | 36,445                       | 2,648              | 25,000           | 14,093                    |
| <b>Total Sewer Accum Dep.</b>                   | <u>1,621,531</u>             | <u>50,732</u>      | <u>25,000</u>    | <u>1,647,263</u>          |
| <b>Net Capital Assets - Sewer</b>               | <u>\$ 1,682,725</u>          | <u>\$ (25,727)</u> | <u>\$ -</u>      | <u>\$ 1,656,998</u>       |

**CITY OF CAVALIER**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

|  | Beginning<br>Balance | Additions          | Disposals     | Ending<br>Balance |
|--|----------------------|--------------------|---------------|-------------------|
| <b>Sanitation</b>                      |                      |                    |               |                   |
| Buildings and improvements             | \$ 59,639            | \$ -               | \$ -          | \$ 59,639         |
| Equipment and vehicles                 | 363,680              | -                  | 86,383        | 277,297           |
| <b>Total Sanitation Capital Assets</b> | <b>423,319</b>       | <b>-</b>           | <b>86,383</b> | <b>336,936</b>    |
| <br>                                   |                      |                    |               |                   |
| Sanitation Accum. Depreciation         |                      |                    |               |                   |
| Buildings and improvements             | 28,759               | 1,872              | -             | 30,631            |
| Equipment and vehicles                 | 258,480              | 19,375             | 86,383        | 191,472           |
| <b>Total Sanitation Accum Dep.</b>     | <b>287,239</b>       | <b>21,247</b>      | <b>86,383</b> | <b>222,103</b>    |
| <br>                                   |                      |                    |               |                   |
| <b>Net Capital Assets - Sanitation</b> | <b>\$ 136,080</b>    | <b>\$ (21,247)</b> | <b>\$ -</b>   | <b>\$ 114,833</b> |
| <br>                                   |                      |                    |               |                   |
|  | Beginning<br>Balance | Additions          | Disposals     | Ending<br>Balance |
| <b>Electric</b>                        |                      |                    |               |                   |
| Buildings and improvements             | \$ 242,609           | \$ -               | \$ -          | \$ 242,609        |
| Equipment and vehicles                 | 403,200              | 25,005             | 29,195        | 399,010           |
| <b>Total Electric Capital Assets</b>   | <b>645,809</b>       | <b>25,005</b>      | <b>29,195</b> | <b>641,619</b>    |
| <br>                                   |                      |                    |               |                   |
| Electric Accum. Depreciation           |                      |                    |               |                   |
| Buildings and improvements             | 240,537              | 235                | -             | 240,772           |
| Machinery and equipment                | 314,421              | 9,867              | 29,195        | 295,093           |
| <b>Total Electric Accum Dep.</b>       | <b>554,958</b>       | <b>10,102</b>      | <b>29,195</b> | <b>535,865</b>    |
| <br>                                   |                      |                    |               |                   |
| <b>Net Capital Assets - Electric</b>   | <b>\$ 90,851</b>     | <b>\$ 14,903</b>   | <b>\$ -</b>   | <b>\$ 105,754</b> |

Depreciation expenses charged to the various functions in the Statement of Activities are as follows:

|   |                   |
|---|-------------------|
| Governmental Activities                               |                   |
| General government                                    | \$ 113,403        |
| Public safety   | 59,332            |
| Highways and streets                                  | 31,311            |
| Other   | 36,410            |
|   | \$ 240,456        |
| Total Depreciation Expense - Governmental Activities  |                   |
|   | <b>\$ 240,456</b> |
| <br>  |                   |
| Business-Type Activities                              |                   |
| Water   | \$ 34,268         |
| Sewer   | 50,732            |
| Sanitation  | 21,247            |
| Electric  | 10,102            |
|   | \$ 116,349        |
| Total Depreciation Expense - Business-Type Activities |                   |
|   | <b>\$ 116,349</b> |

**CITY OF CAVALIER**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE 5 - CHANGES IN LONG-TERM DEBT**

The following is a summary of changes in the governmental and business type activities long-term debt by individual issue for the year ended December 31, 2019:

| <b>GOVERNMENTAL FUNDS</b>   |               |               |                     |                   |                   |                     |                     |                     |
|---|---------------|---------------|---------------------|-------------------|-------------------|---------------------|---------------------|---------------------|
| Issue   | Interest Rate | Maturity Date | Balance 12-31-18    | New Issues        | Retired           | Other Adjustment    | Balance 12-31-19    | Due within One Year |
| Scott & Lynda Humble-contract for deed                                      | 2%            | 7/1/20        | \$ 38,834           | \$ -              | \$ 19,225         | \$ -                | \$ 19,609           | \$ 19,609           |
| North Dakota Public Finance Authority                                       | 1.50%         | 9/1/48        | 593,654             | 22,637            | 16,692            | -                   | 599,599             | 20,000              |
| \$2,025,000 Refunding Improvement Bonds of 2013                             | .5-3.75%      | 5/1/38        | 1,695,000           | -                 | 65,000            | -                   | 1,630,000           | 65,000              |
| \$1,555,000 Refunding Improvement Bonds of 2014                             | .95-3.1%      | 5/1/29        | 1,180,000           | -                 | 95,000            | -                   | 1,085,000           | 100,000             |
| \$194,000 Refunding Improvement Bonds of 2014B                              | 1.80%         | 5/1/21        | 76,057              | -                 | 27,668            | -                   | 48,389              | 31,978              |
| Net Pension Liability-Main  |               |               | 323,195             | -                 | -                 | (124,097)           | 199,098             | -                   |
| Net Pension Liability-Law Enforcement                                       |               |               | 104,139             | -                 | -                 | (59,724)            | 44,415              | -                   |
| Net OPEB Liability  |               |               | 24,750              | -                 | -                 | (2,029)             | 22,721              | -                   |
|   |               |               | <u>\$ 4,035,629</u> | <u>\$ 22,637</u>  | <u>\$ 223,585</u> | <u>\$ (185,850)</u> | <u>\$ 3,648,831</u> | <u>\$ 236,587</u>   |
| <b>ENTERPRISE FUNDS</b>   |               |               |                     |                   |                   |                     |                     |                     |
| Issue   | Interest Rate | Maturity Date | Balance 12-31-18    | New Issues        | Retired           | Other Adjustment    | Balance 12-31-19    | Due within One Year |
| North Dakota State Revolving Fund Lift Station Improvement District         | 0.50%         | 9/1/28        | \$ 260,000          | \$ -              | \$ 25,000         | \$ -                | \$ 235,000          | \$ 25,000           |
| North Dakota State Revolving Fund Drinking Water Bond - Water Tower Project | 1.50%         | 9/1/1949      | -                   | 196,469           | 147,352           | -                   | 49,117              | 44,710              |
| Net Pension Liability-Main  |               |               | 431,234             | -                 | -                 | (161,116)           | 270,118             | -                   |
| Net OPEB Liability  |               |               | 19,408              | -                 | -                 | (1,325)             | 18,083              | -                   |
|   |               |               | <u>\$ 710,642</u>   | <u>\$ 196,469</u> | <u>\$ 172,352</u> | <u>\$ (162,441)</u> | <u>\$ 572,318</u>   | <u>\$ 69,710</u>    |



**CITY OF CAVALIER**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 6 - 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 issues a publicly available financial report that includes financial statements and the required supplementary information for NDPERS. That report may be obtained by writing to NDPERS; 400 E. Broadway, Suite 505; PO Box 1214; Bismarck ND 58502-1214.

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. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired 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

**CITY OF CAVALIER**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

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

**Refunds of Member Account Balance**

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

**Member and Employer Contributions**

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. 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 City reported a liability of \$469,216 for its proportionate share of the net pension liability. 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 City's proportion of the net pension liability was based on the City's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2019, the City's proportion was 0.040030 percent which was an decrease of 0.004674 from its proportion measured as of June 30, 2018.

**CITY OF CAVALIER**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

For the year ended December 31, 2019, the City recognized pension expense of \$80,590. The City has elected to pay the employer and employee portion of the retirement contribution. At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|---|---|--|
| Differences between expected and actual experience  | \$ 278                                    | \$ 85,154                                |
| Changes in assumptions  | 175,334                                   | 150,539                                  |
| Net difference between projected and actual earnings on pension plan investments                              | 8,175                                     | -  |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 13,451                                    | 80,804                                   |
| Employer contributions subsequent to the measurement date   | 16,960                                    | -  |
|   | <u>\$ 214,198</u>                         | <u>\$ 316,497</u>                        |

\$16,960 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 ending December 31, 2020.

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

| <u>Year ending December 31</u> | <u>Pension Expense<br/>Amount</u> |
|--------------------------------|-----------------------------------|
| 2020                           | \$ (8,257)                        |
| 2021                           | (17,413)                          |
| 2022                           | (25,834)                          |
| 2023                           | (51,588)                          |
| 2024                           | (16,167)                          |

**CITY OF CAVALIER**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**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 | <u>Service at</u>        |                       | <u>Non-State</u> |
|                  | <u>Beginning of Year</u> | <u>State Employee</u> | <u>Employee</u>  |
|                  | 0                        | 12.00%                | 15.00%           |
|                  | 1                        | 9.50%                 | 10.00%           |
|                  | 2                        | 7.25%                 | 8.00%            |
|                  | Age*                     |                       |                  |
|                  | Under 36                 | 7.25%                 | 10.00%           |
|                  | 36-40                    | 6.50%                 | 7.50%            |
|                  | 41-49                    | 6.25%                 | 6.75%            |
|                  | 50-59                    | 5.75%                 | 6.50%            |
|                  | 60+                      | 5.00%                 | 5.25%            |

\*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 SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (no setback for females) multiplied by 125%.

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

| <b>Asset Class</b>    | <b>Target Allocation</b> | <b>Long-Term Expected Real Rate of Return</b> |
|-----------------------|--------------------------|---|
| Domestic Equity       | 30.00%                   | 6.25%   |
| International Equity  | 21.00%                   | 6.95%   |
| Private Equity        | 7.00%                    | 10.15%  |
| Domestic Fixed Income | 23.00%                   | 2.11%   |
| Global Real Assets    | 19.00%                   | 5.41%   |

**CITY OF CAVALIER**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**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%.

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

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

|   | <u>1% Decrease in<br/>Discount rate- 6.50%</u> | <u>Current Discount<br/>Rate 7.50%</u> | <u>1% Increase in<br/>Discount Rate-8.50%</u> |
|---|--|--|---|
| Employer's proportionate share of the net pension liability | \$ <u>672,754</u>                              | \$ <u>469,216</u>                      | \$ <u>298,208</u>                             |

**Pension Plan Fiduciary Net Position**

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

**CITY OF CAVALIER**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

***NDPERS Law Enforcement Retirement System (Law Enforcement System)***

The following brief description of the Law Enforcement System 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. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired 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.

**CITY OF CAVALIER**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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

***Refunds of Member Account Balance***

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

***Member and Employer Contributions***

Member and employer contributions paid to NDPERS are established as a percent of covered compensation. Member contribution rates are set by statute and employer contribution rates are set by the Board. Contribution rates for the Law Enforcement System are established as follows:

| <b>Plan</b>                              | <b>Member contribution rate</b> | <b>Employer contribution rate</b> |
|--|---------------------------------|-----------------------------------|
| Law Enforcement with previous service    |                                 |                                   |
| Political Subdivisions                   | 5.50%                           | 9.81%                             |
| State                                    | 6.00%                           | 10.31%                            |
| National Guard                           | 5.50%                           | 9.81%                             |
| Law Enforcement without previous service | 5.50%                           | 7.93%                             |

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 Employer reported a liability of \$44,415 for its proportionate share of the net pension liability. 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 Employer's proportion of the net pension liability was based on the Employer's share of covered payroll/contributions in the Law Enforcement System pension plan relative to the covered payroll/contributions of all participating Law Enforcement System employers. At June 30, 2019, the Employer's proportion was 0.37346 percent which was a decrease of 0.073406 from its proportion measured as of June 30, 2018.

**CITY OF CAVALIER**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

For the year ended December 31, 2019, the Employer recognized pension expense of \$16,435. At December 31, 2019, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|---|---|--|
| Differences between expected and actual experience  | \$ 5,677                                  | \$ 5,432                                 |
| Changes in assumptions  | 31,836                                    | 32,335                                   |
| Net difference between projected and actual earnings on pension plan investments                              | 1,255                                     | -  |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 206                                       | 17,064                                   |
| Employer contributions subsequent to the measurement date   | 7,076                                     | -  |
|   | <u>\$ 46,050</u>                          | <u>\$ 54,831</u>                         |

\$7,076 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 ending December 31, 2020.

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

| <u>Year ending December 31</u> | <u>Pension Expense<br/>Amount</u> |
|--------------------------------|-----------------------------------|
| 2020                           | \$ (1,347)                        |
| 2021                           | 1,143                             |
| 2022                           | (703)                             |
| 2023                           | (6,489)                           |
| 2024                           | (8,461)                           |

**CITY OF CAVALIER**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

***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 | <u>Service at</u>        | <u>State Employee</u> | <u>Non-State</u> |
|                  | <u>Beginning of Year</u> |                       | <u>Employee</u>  |
|                  | 0                        | 12.00%                | 15.00%           |
|                  | 1                        | 9.50%                 | 10.00%           |
|                  | 2                        | 7.25%                 | 8.00%            |
|                  | Age*                     |                       |                  |
|                  | Under 36                 | 7.25%                 | 10.00%           |
|                  | 36-40                    | 6.50%                 | 7.50%            |
|                  | 41-49                    | 6.25%                 | 6.75%            |
|                  | 50-59                    | 5.75%                 | 6.50%            |
|                  | 60+                      | 5.00%                 | 5.25%            |

\*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 were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

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

| <b>Asset Class</b>    | <b>Target Allocation</b> | <b>Long-Term Expected Real Rate of Return</b> |
|-----------------------|--------------------------|---|
| Domestic Equity       | 30.00%                   | 6.25%   |
| International Equity  | 21.00%                   | 6.95%   |
| Private Equity        | 7.00%                    | 10.15%  |
| Domestic Fixed Income | 23.00%                   | 2.11%   |
| Global Real Assets    | 19.00%                   | 5.41%   |

**CITY OF CAVALIER**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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

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

|   | <u>1% Decrease in<br/>Discount Rate- 6.50%</u> | <u>Current Discount<br/>Rate 7.50%</u> | <u>1% Increase in<br/>Discount Rate - 8.50%</u> |
|---|--|--|---|
| Employer's proportionate share of the net pension liability | \$ <u>86,837</u>                               | \$ <u>44,415</u>                       | \$ <u>9,627</u>                                 |

***Pension Plan Fiduciary Net Position***

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

**CITY OF CAVALIER**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS**

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

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

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

**OPEB Benefits**

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

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

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

**CITY OF CAVALIER**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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

At December 31, 2019, the City reported a liability of \$40,804 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2019, the Employer's proportion was 0.050803 percent, which was a decrease of 0.001367 from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the City recognized OPEB expense of \$5,526. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|---|---|--|
| Differences between expected and actual experience  | \$ 1,007                                  | \$ 1,275                                 |
| Changes in assumptions  | 4,863                                     | -  |
| Net difference between projected and actual earnings on pension plan investments                              | 45  | -  |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 2,412                                     | 3,493                                    |
| Employer contributions subsequent to the measurement date   | 3,538                                     | -  |
|   | <u>\$ 11,865</u>                          | <u>\$ 4,768</u>                          |

\$3,538 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2020.

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

| <u>Year ending December 31</u> | <u>Pension Expense<br/>Amount</u> |
|--------------------------------|-----------------------------------|
| 2020                           | \$ 649                            |
| 2021                           | 649                               |
| 2022                           | 1,029                             |
| 2023                           | 959                               |
| 2024                           | 473                               |
| 2025                           | (135)                             |
| Thereafter                     | (65)                              |

**CITY OF CAVALIER**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**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:

| <b>Asset Class</b>          | <b>Long-Term Expected</b> |                            |
|-----------------------------|---------------------------|----------------------------|
|                             | <b>Target Allocation</b>  | <b>Real Rate of Return</b> |
| Large Cap Domestic Equities | 33.00%                    | 6.00%                      |
| Small Cap Domestic Equities | 6.00%                     | 7.30%                      |
| International Equities      | 21.00%                    | 6.95%                      |
| Domestic Fixed Income       | 40.00%                    | 2.07%                      |

**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, 2018, and July 1, 2017, 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.

**CITY OF CAVALIER**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

***Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate.*** The following presents the net OPEB liability of the Plans as of June 30, 2018, 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:

|  | <u>1% Decrease in<br/>Discount Rate- 6.25%</u> | <u>Current Discount<br/>Rate 7.25%</u> | <u>1% Increase in<br/>Discount Rate - 8.25%</u> |
|--|--|--|---|
| Employer's proportionate share of the net OPEB liability | <u>\$ 52,081</u>                               | <u>\$ 40,804</u>                       | <u>\$ 31,151</u>                                |

**NOTE 8 - COMMITMENTS AND CONTINGENCIES**

**Construction**

The City has entered into various contracts with construction contractors for sewer, water, and airport projects. These construction projects are in progress as of December 31, 2019.

**Grant Programs**

The City participates in various state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2019, may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries insurance for risks of loss considered necessary, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The City's property insurance is through the North Dakota State Fire and Tornado Fund, the liability insurance is provided through the North Dakota Insurance Reserve Fund, employee bond is provided by the North Dakota State Bond Fund, and workers' compensation is provided by the North Dakota Workers' Compensation Bureau. Other risks are covered by private insurance.

**CITY OF CAVALIER**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE 9 - INTERFUND TRANSFERS AND BALANCES**

|                             |            |
|-----------------------------|------------|
| Transfers In                |            |
| General                     | \$ 390,667 |
| Special Revenue-Growth      | 50,000     |
| Street Improvement          | 40,000     |
| Capital Projects            | 160,000    |
| Proprietary Fund-Sewer      | 26,300     |
|                             | \$ 666,967 |
|                             |            |
| Transfers Out               |            |
| General Fund                | \$ 250,000 |
| Special Revenue-Recreation  | 5,000      |
| Special Revenue-Library     | 4,000      |
| Debt Service-Lift Station   | 26,300     |
| Proprietary Fund-Water      | 63,333     |
| Proprietary Fund-Sewer      | 31,251     |
| Proprietary Fund-Sanitation | 63,333     |
| Proprietary Fund-Electric   | 223,750    |
|                             | \$ 666,967 |

These transfers consist of a revenue transfer from each enterprise fund (water, sewer, garbage and electric) into the general fund; a transfer from the recreation department, library and highway tax into the general fund for salaries and other costs; a transfer from the general fund into the growth fund for economic developments; a transfer from the general fund into the capital projects and street improvement funds for streets and highways, a transfer from the debt service fund into the sewer fund for debt service payments, a transfer from the sewer and water funds into the debt service fund for debt service payments; transfers from each proprietary fund into the general fund for insurance premiums and other costs.

The interfund receivables and payables consist of the following:

|                              |           |
|------------------------------|-----------|
| Governmental Funds           |           |
| Due from Other Funds         |           |
|                              | Amount    |
| Debt Service                 | \$ 23,015 |
| Special Revenue -Growth fund | 26,351    |
|                              | \$ 49,366 |
|                              |           |
| Due to Other Funds           |           |
| Capital Project              | \$ 23,015 |
| Electric                     | 26,351    |
|                              | \$ 49,366 |

The Electric fund advanced funds to the Growth Fund for the Hartz land purchase.

**CITY OF CAVALIER**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

The Capital Project fund paid principal and interest payments for the Debt Service fund. The amounts will be reimbursed from the Debt Service fund to the Capital Project fund in 2020.

**NOTE 9 - FUND BALANCES**

Fund balance is categorized as follows:

| Fund Balance              | General           | Capital<br>Projects | Special<br>Revenue<br>Airport Authority | Debt Service Funds          |                       | Other<br>Governmental<br>Funds | Total               |
|---------------------------|-------------------|---------------------|---|-----------------------------|-----------------------|--------------------------------|---------------------|
|                           |                   |                     |   | 2013 Utility<br>Improvement | Street<br>Improvement |                                |                     |
| <b>Non Spendable</b>      |                   |                     |   |                             |                       |                                |                     |
| Inventory-supplies        | \$ -              | \$ -                | \$ -                                    | \$ -                        | \$ -                  | \$ -                           | \$ -                |
| Loans receivable          | 20,000            | -                   | -                                       | -                           | -                     | 590                            | 20,590              |
| Total nonspendable        | 20,000            | -                   | -                                       | -                           | -                     | 590                            | 20,590              |
| <b>Restricted</b>         |                   |                     |   |                             |                       |                                |                     |
| Debt service              | -                 | -                   | -                                       | 261,668                     | 161,673               | 178,664                        | 602,005             |
| Improvements              | -                 | 836,652             | -                                       | -                           | -                     | -                              | 836,652             |
| Lodging tax               | -                 | -                   | -                                       | -                           | -                     | 6,267                          | 6,267               |
| Special assessments       | -                 | -                   | -                                       | -                           | -                     | 211                            | 211                 |
| Jobs development          | -                 | -                   | -                                       | -                           | -                     | 32,509                         | 32,509              |
| Highway tax               | -                 | -                   | -                                       | -                           | -                     | 35,749                         | 35,749              |
| Cemetery                  | -                 | -                   | -                                       | -                           | -                     | 106,316                        | 106,316             |
| Library                   | -                 | -                   | -                                       | -                           | -                     | 21,753                         | 21,753              |
| Airport Authority         | -                 | -                   | 223,609                                 | -                           | -                     | -                              | 223,609             |
| Recreation                | -                 | -                   | -                                       | -                           | -                     | -                              | -                   |
| Growth                    | -                 | -                   | -                                       | -                           | -                     | 213,219                        | 213,219             |
| Forestry                  | -                 | -                   | -                                       | -                           | -                     | 1,899                          | 1,899               |
| Total restricted          | -                 | 836,652             | 223,609                                 | 261,668                     | 161,673               | 596,587                        | 2,080,189           |
| <b>Committed</b>          |                   |                     |   |                             |                       |                                |                     |
| Fleet reserves            | -                 | -                   | -                                       | -                           | -                     | 1,192                          | 1,192               |
| Emergency                 | -                 | -                   | -                                       | -                           | -                     | 8,805                          | 8,805               |
| Recreation                | -                 | -                   | -                                       | -                           | -                     | 170,175                        | 170,175             |
| Fire department           | -                 | -                   | -                                       | -                           | -                     | 195,512                        | 195,512             |
| Beautification            | -                 | -                   | -                                       | -                           | -                     | 2,638                          | 2,638               |
| Total committed           | -                 | -                   | -                                       | -                           | -                     | 378,322                        | 378,322             |
| <b>Unassigned</b>         | 868,783           | -                   | -                                       | -                           | -                     | (23,015)                       | 845,768             |
| <b>Total Fund Balance</b> | <b>\$ 888,783</b> | <b>\$ 836,652</b>   | <b>\$ 223,609</b>                       | <b>\$ 261,668</b>           | <b>\$ 161,673</b>     | <b>\$ 952,484</b>              | <b>\$ 3,324,869</b> |

**NOTE 10 - ACCOUNTING CHANGES AND PRIOR PERIOD ADJUSTMENT**

As of December 31, 2018, fund balance had been restated to account for a cash account held by the Fire Department that had not previously been recorded. As of December 31, 2019, it was determined, that the cash account does not belong on the fire department's books. Fund balance has subsequently been restated for the cash. During 2019, it was also determined that prior year payroll liabilities were overstated.

**CITY OF CAVALIER**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

As a result, beginning net position and fund balance has been restated as of January 1, 2019 as follows:

|   | <u>Net Position</u>        | <u>Fund Balance</u> |                   |
|---|----------------------------|---------------------|-------------------|
|   | Governmental<br>Activities | General Fund        | Nonmajor<br>Funds |
| Balance January 1, 2019, as previously reported | \$ 8,219,622               | \$ 945,089          | \$ 971,396        |
| Restatement for Accrued Liabilities             | 11,709                     | 11,709              | -                 |
| Restatement for Fire Department Cash            | <u>(30,882)</u>            | <u>-</u>            | <u>(30,882)</u>   |
| Balance, January 1, 2019, as restated           | <u>\$ 8,200,449</u>        | <u>\$ 956,798</u>   | <u>\$ 940,514</u> |

**NOTE 11 - NEW PRONOUNCEMENTS**

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

**CITY OF CAVALIER**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that result from the replacement of IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

**CITY OF CAVALIER**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

GASB Statement No. 96, *Subscription-Based Information Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

Management has not yet determined what effect these statements will have on the City's financial statements.

**NOTE 12 - SUBSEQUENT EVENTS**

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Federal, state, and local governments have since implemented various restrictions on travel, public gatherings, and business operations. The extent of the impact this matter will have on the City's results of operations and financial condition is uncertain.

Other than the event noted above, there were no significant events that occurred subsequent to the City's year end. Subsequent events have been evaluated through May 17, 2021, which is the date these financial statements were available to be issued.

**CITY OF CAVALIER**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

|   | Original<br>Budget | Final<br>Budget   | Actual            | Variance with<br>Final Budget<br>Favorable<br>(Unfavorable) |
|---|--------------------|-------------------|-------------------|---|
| Revenue:                                  |                    |                   |                   |   |
| Property taxes                            | \$ 105,387         | \$ 105,387        | \$ 104,533        | \$ (854)  |
| Sales and use taxes                       | 366,964            | 366,964           | 485,298           | 118,334   |
| Licenses, permits and fees                | 7,025              | 7,025             | 571               | (6,454)   |
| Intergovernmental revenues                | 80,165             | 80,165            | 98,062            | 17,897  |
| Charges for services                      | 4,900              | 4,900             | 5,150             | 250   |
| Fines and forfeits                        | 1,000              | 1,000             | 865               | (135)   |
| Miscellaneous revenues                    | 11,950             | 11,950            | 17,965            | 6,015   |
|   | <u>577,391</u>     | <u>577,391</u>    | <u>712,444</u>    | <u>135,053</u>  |
| Expenditures:                             |                    |                   |                   |   |
| Current:                                  |                    |                   |                   |   |
| General government                        | 390,372            | 390,372           | 417,126           | (26,754)  |
| Public safety                             | 212,817            | 212,817           | 172,581           | 40,236  |
| Highways and streets                      | 173,027            | 173,027           | 159,186           | 13,841  |
| Health and welfare                        | 97,000             | 97,000            | 96,179            | 821   |
| Culture and recreation                    | 73,950             | 73,950            | 66,058            | 7,892   |
| Capital outlay                            | -                  | -                 | 9,995             | (9,995)   |
| Debt service                              | -                  | -                 | -                 | -   |
|   | <u>947,166</u>     | <u>947,166</u>    | <u>921,125</u>    | <u>26,041</u>   |
| Excess of Revenues Over (Under)           |                    |                   |                   |   |
| Expenditures                              | <u>(369,775)</u>   | <u>(369,775)</u>  | <u>(208,681)</u>  | <u>161,094</u>  |
| Other Financing Sources (Uses):           |                    |                   |                   |   |
| Operating transfers in                    | 507,000            | 507,000           | 390,666           | (116,334)   |
| Operating transfers out                   | <u>(250,000)</u>   | <u>(250,000)</u>  | <u>(250,000)</u>  | <u>-</u>  |
|   | <u>257,000</u>     | <u>257,000</u>    | <u>140,666</u>    | <u>(116,334)</u>  |
| Net Change in Fund Balance                | (112,775)          | (112,775)         | (68,015)          | 44,760  |
| Fund Balance (Deficit), Beginning of Year | 945,089            | 945,089           | 945,089           | -   |
| Prior Period Adjustment                   | <u>-</u>           | <u>-</u>          | <u>11,709</u>     | <u>11,709</u>   |
| Fund Balance (Deficit), End of Year       | <u>\$ 832,314</u>  | <u>\$ 832,314</u> | <u>\$ 888,783</u> | <u>\$ 56,469</u>  |

See Note to the Budgetary Comparison Schedule

**CITY OF CAVALIER**  
**NOTE TO THE BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE 1 BUDGETARY COMPARISON**

The governing body of each municipality, annually on or before August 10, shall make, on suitable blanks prescribed by the state tax commissioner and state auditor, an itemized statement known as the preliminary budget statement showing the amounts of money which, in the opinion of the governing body, will be required for the proper maintenance, expansion, or improvement of the municipality during the year. The annual budget shall be prepared for the general fund, special revenue funds and debt service funds. However, the City does not adopt a budget for the Special Revenue Fund- Airport Authority. The budget is prepared on the cash basis, which is not materially different from the modified accrual basis.

The preliminary budget shall set forth specifically:

- 1) Estimated expenditures of the municipality for the current fiscal year.
- 2) Estimated expenditures for the ensuing fiscal year.
- 3) Estimated cash balance standing to the debit or credit of the municipality at the end of the current year.
- 4) Estimate of probable amounts that may be received during the ensuing year from sources other than direct property taxes, and a statement of all the uncollected taxes due to the municipality.

After the preliminary budget has been prepared the city auditor shall give notice that the preliminary budget is on file in the office of the auditor and that such budget may be examined by anyone requesting to do so. The governing body shall meet for the purpose of adopting the final budget and making the annual tax levy no later than October 7.

After completing the final budget on or before October 7, the governing body shall proceed to make the annual tax levy. Immediately after the completion of the final budget and the adoption of the tax levy by the governing body, the auditor shall send to the county auditor two certified copies of the final budget and levy no later than October 10.

The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10, of each year. The budget amounts shown in the financial statements are the final authorized amounts.

The unexpended balance of the cash appropriation becomes a part of the unappropriated balance at year end.

**CITY OF CAVALIER**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY**  
**ND PUBLIC EMPLOYEE RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS (PROSPECTIVELY)**  
**YEAR OF IMPLEMENTATION**

**Main System**

| For The<br>Year Ended<br><u>December 31</u> | City's<br>Proportion Share of the<br>Net Pension<br><u>Liability (Asset)</u> | City's<br>Proportionate Share<br>of the Net Pension<br><u>Liability (Asset)</u> | City's Covered<br>Employee<br><u>Payroll</u> | Proportionate Share<br>of the Net Pension<br>Liability (Asset) as a<br>Percentage of its<br>Covered-employee<br><u>Payroll</u> | Plan Fiduciary<br>Net Position<br>as a Percentage of the<br><u>Total Pension Liability</u> |
|---|--|---|--|--|--|
| 2015  | 0.056942%  | \$ 387,196  | \$ 507,286                                   | 76.33%   | 77.15%   |
| 2016  | 0.046415%  | 452,360   | 467,758                                      | 96.70%   | 70.46%   |
| 2017  | 0.042471%  | 682,647   | 433,564                                      | 157.45%  | 61.98%   |
| 2018  | 0.044704%  | 754,429   | 459,250                                      | 164.27%  | 62.80%   |
| 2019  | 0.040030%  | 469,216   | 416,413                                      | 112.68%  | 71.66%   |

**Law Enforcement**

| For The<br>Year Ended<br><u>December 31</u> | City's<br>Proportion Share of the<br>Net Pension<br><u>Liability (Asset)</u> | City's<br>Proportionate Share<br>of the Net Pension<br><u>Liability (Asset)</u> | City's Covered<br>Employee<br><u>Payroll</u> | Proportionate Share<br>of the Net Pension<br>Liability (Asset) as a<br>Percentage of its<br>Covered-employee<br><u>Payroll</u> | Plan Fiduciary<br>Net Position<br>as a Percentage of the<br><u>Total Pension Liability</u> |
|---|--|---|--|--|--|
| 2015  | 0.702325%  | \$ 42,670   | \$ 102,937                                   | 41.40%   | 83.61%   |
| 2016  | 0.588958%  | 67,485  | 166,235                                      | 40.60%   | 78.73%   |
| 2017  | 0.454806%  | 100,131   | 130,828                                      | 76.54%   | 76.54%   |
| 2018  | 0.446866%  | 104,139   | 154,263                                      | 67.51%   | 67.51%   |
| 2019  | 0.373460%  | 44,415  | 150,474                                      | 29.52%   | 71.66%   |

The City implemented GASB Statement No. 68 for its fiscal year ended December 31, 2015. Information for prior years is not available.

The amounts presented for each year were determined as of the measurement date of the collective net pension liability, which is June 30.

See Note to the Required Supplementary Information

**CITY OF CAVALIER**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**ND PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**LAST 10 FISCAL YEARS (PROSPECTIVELY)**  
**YEAR OF IMPLEMENTATION**

**Main System**

| For The<br>Year Ended<br><u>December 31</u> | Statutorily<br>Required<br><u>Contribution</u> | Contributions in<br>Relation to the<br>Statutorily Required<br><u>Contributions</u> | Contribution<br><u>Deficiency (Excess)</u> | City's<br>Covered-employee<br><u>Payroll</u> | Contributions as a<br>Percentage of Covered<br><u>Employee Payroll</u> |
|---|--|---|--|--|--|
| 2015  | \$ 37,541                                      | \$ 37,541   | \$ -                                       | \$ 527,266                                   | 7.12%  |
| 2016  | 33,621   | 33,621  | -  | 472,207                                      | 7.12%  |
| 2017  | 32,625   | 32,625  | -  | 458,216                                      | 7.12%  |
| 2018  | 33,602   | 33,602  | -  | 471,935                                      | 7.12%  |
| 2019  | 33,898   | 33,898  | -  | 476,090                                      | 7.12%  |

**Law Enforcement**

| For The<br>Year Ended<br><u>December 31</u> | Statutorily<br>Required<br><u>Contribution</u> | Contributions in<br>Relation to the<br>Statutorily Required<br><u>Contributions</u> | Contribution<br><u>Deficiency (Excess)</u> | City's<br>Covered-employee<br><u>Payroll</u> | Contributions as a<br>Percentage of Covered<br><u>Employee Payroll</u> |
|---|--|---|--|--|--|
| 2015  | \$ 15,308                                      | \$ 15,308   | \$ -                                       | \$ 156,074                                   | 9.81%  |
| 2016  | 15,661   | 15,661  | -  | 159,648                                      | 9.81%  |
| 2017  | 15,824   | 15,824  | -  | 161,306                                      | 9.81%  |
| 2018  | 13,914   | 13,914  | -  | 141,839                                      | 9.81%  |
| 2019  | 13,999   | 13,999  | -  | 142,696                                      | 9.81%  |

The City implemented GASB Statement No. 68 for its fiscal year ended December 31, 2015. Information for prior years is not available.

The amounts presented for each year were determined as of the City's year end which is December 31.

See Note to the Required Supplementary Information

**CITY OF CAVALIER**  
**SCHEDULE OF CITY'S SHARE OF THE OPEB LIABILITY**  
**AS OF DECEMBER 31, 2019**

| For the Fiscal<br>Year Ended<br>June 30 | City's<br>Proportion of the<br>Net OPEB<br>Liability (Asset) | City's<br>Proportionate Share of<br>the Net OPEB<br>Liability (Asset) (a) | City's Covered-<br>Employee Payroll | Proportionate Share<br>of the Net OPEB<br>Liability (Asset) as a<br>Percentage of its<br>Covered-Employee<br>Payroll | Plan Fiduciary Net<br>Position as a Percentage<br>of the Total OPEB<br>Liability |
|---|--|---|-------------------------------------|--|--|
| 2018                                    | 0.052170%  | \$ 44,158   | \$ 613,513                          | 7.20%  | 61.89%   |
| 2019                                    | 0.050803%  | 40,804  | 566,887                             | 7.20%  | 63.13%   |

The amounts presented for each fiscal year were determined as of the measurement date of the City's other postemployment benefit liability which is June 30 of the previous fiscal year.

The City implemented GASB statement No. 75 for its year ended December 31, 2018. Information for the prior years is not available.

See Note to the Required Supplementary Information

**CITY OF CAVALIER**  
**SCHEDULE OF CITY'S CONTRIBUTIONS TO OPEB PLAN**  
**AS OF DECEMBER 31, 2019**

| Fiscal<br>Year Ended<br>December 31 | Statutorily<br>Required<br>Contribution | Contributions in<br>Relation to the<br>Statutorily Required<br>Contributions | Contribution<br>Deficiency (Excess) | City's Covered-<br>Employee Payroll | Contributions as a<br>Percentage of Covered-<br>Employee Payroll |
|-------------------------------------|---|--|-------------------------------------|-------------------------------------|--|
| 2018                                | \$ 6,997                                | \$ 6,997   | \$ -                                | \$ 613,775                          | 1.14%  |
| 2019                                | 7,054                                   | 7,054  | -                                   | 618,786                             | 1.14%  |

The amounts presented for each year were determined as of the City's year end which is December 31.

The City implemented GASB Statement No. 75 for its year ended December 31, 2018. Information for the prior years are not available.

See Note to the Required Supplementary Information

**CITY OF CAVALIER**  
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 1 CHANGES OF BENEFIT TERMS AND ASSUMPTIONS**

**NDPERS**

*Changes of benefit terms.*

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.

*Changes of assumptions.*

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%

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

**OPEB**

*Changes of benefit terms.*

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.

*Changes of assumptions.*

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

- The investment return assumption was lowered from 7.50% to 7.25%

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

**CITY OF CAVALIER**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2019**

|  | Special<br>Revenue<br>Funds | Debt<br>Service<br>Funds | Total Non Major<br>Governmental<br>Funds |
|--|-----------------------------|--------------------------|--|
|  | <u>          </u>           | <u>          </u>        | <u>          </u>                        |
| Assets:  |                             |                          |  |
| Cash and cash equivalents  | \$ 605,144                  | \$ 178,664               | \$ 783,808                               |
| Investments  | 191,189                     | -                        | 191,189                                  |
| Receivables:   |                             |                          |  |
| Accounts receivable  | 26,263                      | -                        | 26,263                                   |
| Taxes receivable   | 973                         | -                        | 973                                      |
| Special assessments  | -                           | 225,136                  | 225,136                                  |
| Loans receivable   | 590                         | -                        | 590                                      |
|  | <u>          </u>           | <u>          </u>        | <u>          </u>                        |
| Total Assets   | <u>\$ 824,159</u>           | <u>\$ 403,800</u>        | <u>\$ 1,227,959</u>                      |
|  |                             |                          |  |
| Liabilities, Deferred Inflows of Resources and Fund Balance:         |                             |                          |  |
| Liabilities:   |                             |                          |  |
| Due to other funds   | \$ 26,351                   | \$ 23,015                | \$ 49,366                                |
|  | <u>          </u>           | <u>          </u>        | <u>          </u>                        |
| Deferred Inflows of Resources  |                             |                          |  |
| Unavailable property taxes receivable                                | 973                         | -                        | 973                                      |
| Delinquent special assessments                                       | -                           | 11,902                   | 11,902                                   |
| Uncertified special assessments                                      | -                           | 213,234                  | 213,234                                  |
| Total Deferred Inflows of Resources                                  | <u>973</u>                  | <u>225,136</u>           | <u>226,109</u>                           |
|  |                             |                          |  |
| Fund Balance:  |                             |                          |  |
| Nonspendable   | 590                         | -                        | 590                                      |
| Restricted   | 417,923                     | 178,664                  | 596,587                                  |
| Committed  | 378,322                     | -                        | 378,322                                  |
| Unassigned   | -                           | (23,015)                 | (23,015)                                 |
| Total Fund Balance   | <u>796,835</u>              | <u>155,649</u>           | <u>952,484</u>                           |
|  |                             |                          |  |
| Total Liabilities, Deferred Inflows<br>of Resources and Fund Balance | <u>\$ 824,159</u>           | <u>\$ 403,800</u>        | <u>\$ 1,227,959</u>                      |

**CITY OF CAVALIER**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

|   | Special<br>Revenue<br>Funds | Debt<br>Service<br>Funds | Total Non Major<br>Governmental<br>Funds |
|---|-----------------------------|--------------------------|--|
|   | <u>          </u>           | <u>          </u>        | <u>          </u>                        |
| Revenues:                                       |                             |                          |  |
| Taxes   | \$ 69,173                   | \$ -                     | \$ 69,173                                |
| Special assessments                             | -                           | 51,882                   | 51,882                                   |
| Charges for services                            | 46,324                      | -                        | 46,324                                   |
| Other   | 205,396                     | -                        | 205,396                                  |
|   | <u>320,893</u>              | <u>51,882</u>            | <u>372,775</u>                           |
| Total revenues                                  |                             |                          |  |
| Expenditures:                                   |                             |                          |  |
| Current:  |                             |                          |  |
| General government                              | 2,065                       | -                        | 2,065                                    |
| Public safety                                   | 128,937                     | -                        | 128,937                                  |
| Culture and recreation                          | 39,367                      | -                        | 39,367                                   |
| Capital outlay                                  | 95,000                      | -                        | 95,000                                   |
| Other   | 36,530                      | -                        | 36,530                                   |
| Debt Service:                                   |                             |                          |  |
| Debt principal                                  | 19,225                      | 44,359                   | 63,584                                   |
| Interest  | 777                         | 7,444                    | 8,221                                    |
| Fiscal charges                                  | -                           | 1,800                    | 1,800                                    |
|   | <u>321,901</u>              | <u>53,603</u>            | <u>375,504</u>                           |
| Total expenditures                              |                             |                          |  |
| Excess of Revenues Over<br>(Under) Expenditures | (1,008)                     | (1,721)                  | (2,729)                                  |
| Other Financing Sources (Uses):                 |                             |                          |  |
| Operating transfers in                          | 50,000                      | -                        | 50,000                                   |
| Operating transfers out                         | (9,000)                     | (26,300)                 | (35,300)                                 |
|   | <u>41,000</u>               | <u>(26,300)</u>          | <u>14,700</u>                            |
| Total other financing sources (uses)            |                             |                          |  |
| Net Change in Fund Balances                     | <u>39,992</u>               | <u>(28,021)</u>          | <u>11,971</u>                            |
| Fund Balance, Beginning of Year                 |                             |                          |  |
| As Originally Reported                          | 787,725                     | 183,670                  | 971,395                                  |
| Prior Period Adjustment                         | (30,882)                    | -                        | (30,882)                                 |
| Beginning of Year, As Restated                  | <u>756,843</u>              | <u>183,670</u>           | <u>940,513</u>                           |
| Fund Balance, End of Year                       | <u>\$ 796,835</u>           | <u>\$ 155,649</u>        | <u>\$ 952,484</u>                        |

**CITY OF CAVALIER**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**DECEMBER 31, 2019**

|  | Special<br>Assessments | Jobs<br>Development<br>Authority | Highway<br>Tax   | Lodging<br>Tax  | Fleet<br>Reserves | Emergency       | Cemetery          |
|--|------------------------|----------------------------------|------------------|-----------------|-------------------|-----------------|-------------------|
| <b>Assets:</b>   |                        |                                  |                  |                 |                   |                 |                   |
| Cash and cash equivalents  | \$ 211                 | \$ 16,145                        | \$ 26,671        | \$ 5,446        | \$ 1,192          | \$ 8,805        | \$ 15,127         |
| Investments  | -                      | -                                | -                | -               | -                 | -               | 91,189            |
| Accounts receivable  | -                      | 16,364                           | 9,078            | 821             | -                 | -               | -                 |
| Taxes receivable   | -                      | 203                              | -                | -               | -                 | -               | 203               |
| Loans receivable   | -                      | -                                | -                | -               | -                 | -               | -                 |
| <b>Total Assets</b>  | <b>\$ 211</b>          | <b>\$ 32,712</b>                 | <b>\$ 35,749</b> | <b>\$ 6,267</b> | <b>\$ 1,192</b>   | <b>\$ 8,805</b> | <b>\$ 106,519</b> |
| <b>Liabilities, Deferred Inflows and Fund Balance</b>                    |                        |                                  |                  |                 |                   |                 |                   |
| <b>Liabilities:</b>  |                        |                                  |                  |                 |                   |                 |                   |
| Due to other funds   | \$ -                   | \$ -                             | \$ -             | \$ -            | \$ -              | \$ -            | \$ -              |
| Accounts payable   | -                      | -                                | -                | -               | -                 | -               | -                 |
| <b>Total Liabilities</b>   | <b>-</b>               | <b>-</b>                         | <b>-</b>         | <b>-</b>        | <b>-</b>          | <b>-</b>        | <b>-</b>          |
| <b>Deferred Inflows of Resources</b>                                     |                        |                                  |                  |                 |                   |                 |                   |
| Unavailable property taxes receivable                                    | -                      | 203                              | -                | -               | -                 | -               | 203               |
| <b>Fund Balance</b>  |                        |                                  |                  |                 |                   |                 |                   |
| Nonspendable   | -                      | -                                | -                | -               | -                 | -               | -                 |
| Restricted   | 211                    | 32,509                           | 35,749           | 6,267           | -                 | -               | 106,316           |
| Unrestricted   | -                      | -                                | -                | -               | 1,192             | 8,805           | -                 |
| Committed  | -                      | -                                | -                | -               | -                 | -               | -                 |
| Unassigned   | -                      | -                                | -                | -               | -                 | -               | -                 |
| <b>Total fund balance</b>  | <b>211</b>             | <b>32,509</b>                    | <b>35,749</b>    | <b>6,267</b>    | <b>1,192</b>      | <b>8,805</b>    | <b>106,316</b>    |
| <b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b> | <b>\$ 211</b>          | <b>\$ 32,712</b>                 | <b>\$ 35,749</b> | <b>\$ 6,267</b> | <b>\$ 1,192</b>   | <b>\$ 8,805</b> | <b>\$ 106,519</b> |

**CITY OF CAVALIER**  
**COMBINING BALANCE SHEET - CONTINUED**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**DECEMBER 31, 2019**

|  | <u>Recreation</u>        | <u>Library</u>          | <u>Fire<br/>Department</u> | <u>Growth</u>            | <u>Beautification</u>  | <u>Forestry</u>        | <u>Total Non Major<br/>Special Revenue<br/>Funds</u> |
|--|--------------------------|-------------------------|----------------------------|--------------------------|------------------------|------------------------|--|
| <b>Assets:</b>   |                          |                         |                            |                          |                        |                        |  |
| Cash and cash equivalents  | \$ 170,175               | \$ 21,753               | \$ 95,512                  | \$ 239,570               | \$ 2,638               | \$ 1,899               | \$ 605,144   |
| Investments  | -                        | -                       | 100,000                    | -                        | -                      | -                      | 191,189  |
| Accounts receivable  | -                        | -                       | -                          | -                        | -                      | -                      | 26,263   |
| Taxes receivable   | 155                      | 412                     | -                          | -                        | -                      | -                      | 973  |
| Loans receivable   | -                        | -                       | -                          | 590                      | -                      | -                      | 590  |
| <b>Total Assets</b>  | <b><u>\$ 170,330</u></b> | <b><u>\$ 22,165</u></b> | <b><u>\$ 195,512</u></b>   | <b><u>\$ 240,160</u></b> | <b><u>\$ 2,638</u></b> | <b><u>\$ 1,899</u></b> | <b><u>\$ 824,159</u></b>                             |
| <b>Liabilities, Deferred Inflows and Fund Balance</b>                    |                          |                         |                            |                          |                        |                        |  |
| <b>Liabilities:</b>  |                          |                         |                            |                          |                        |                        |  |
| Due to other funds   | \$ -                     | \$ -                    | \$ -                       | \$ 26,351                | \$ -                   | \$ -                   | \$ 26,351  |
| Accounts payable   | -                        | -                       | -                          | -                        | -                      | -                      | -  |
| <b>Total Liabilities</b>   | <b><u>-</u></b>          | <b><u>-</u></b>         | <b><u>-</u></b>            | <b><u>26,351</u></b>     | <b><u>-</u></b>        | <b><u>-</u></b>        | <b><u>26,351</u></b>                                 |
| <b>Deferred Inflows of Resources</b>                                     |                          |                         |                            |                          |                        |                        |  |
| Unavailable property taxes receivable                                    | 155                      | 412                     | -                          | -                        | -                      | -                      | 973  |
| <b>Fund Balance</b>  |                          |                         |                            |                          |                        |                        |  |
| Nonspendable   | -                        | -                       | -                          | 590                      | -                      | -                      | 590  |
| Restricted   | -                        | 21,753                  | -                          | 213,219                  | -                      | 1,899                  | 417,923  |
| Unrestricted   |                          |                         |                            |                          |                        |                        |  |
| Committed  | 170,175                  | -                       | 195,512                    | -                        | 2,638                  | -                      | 378,322  |
| Unassigned   | -                        | -                       | -                          | -                        | -                      | -                      | -  |
| <b>Total fund balance</b>  | <b><u>170,175</u></b>    | <b><u>21,753</u></b>    | <b><u>195,512</u></b>      | <b><u>213,809</u></b>    | <b><u>2,638</u></b>    | <b><u>1,899</u></b>    | <b><u>796,835</u></b>                                |
| <b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b> | <b><u>\$ 170,330</u></b> | <b><u>\$ 22,165</u></b> | <b><u>\$ 195,512</u></b>   | <b><u>\$ 240,160</u></b> | <b><u>\$ 2,638</u></b> | <b><u>\$ 1,899</u></b> | <b><u>\$ 824,159</u></b>                             |

**CITY OF CAVALIER**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

|  | Special<br>Assessments | Jobs<br>Development<br>Authority | Highway<br>Tax   | Lodging<br>Tax  | Fleet<br>Reserves | Emergency       | Cemetery          |
|--|------------------------|----------------------------------|------------------|-----------------|-------------------|-----------------|-------------------|
| Revenues:  |                        |                                  |                  |                 |                   |                 |                   |
| Taxes  | \$ 9,669               | \$ 5,850                         | \$ 3,693         | \$ 5,823        | \$ -              | \$ -            | \$ 5,825          |
| Charges for services   | -                      | -                                | -                | -               | -                 | -               | -                 |
| Other  | -                      | 3,636                            | -                | -               | -                 | -               | 7,003             |
| Total revenues   | <u>9,669</u>           | <u>9,486</u>                     | <u>3,693</u>     | <u>5,823</u>    | <u>-</u>          | <u>-</u>        | <u>12,828</u>     |
| Expenditures:  |                        |                                  |                  |                 |                   |                 |                   |
| Current:   |                        |                                  |                  |                 |                   |                 |                   |
| General government   | -                      | -                                | -                | -               | -                 | -               | -                 |
| Public safety  | -                      | -                                | -                | -               | -                 | -               | -                 |
| Culture and recreation   | -                      | -                                | -                | -               | -                 | -               | -                 |
| Capital outlay   | -                      | -                                | -                | -               | -                 | -               | -                 |
| Other  | 9,997                  | 5,507                            | -                | 5,000           | 1                 | -               | 8,375             |
| Debt Service:  |                        |                                  |                  |                 |                   |                 |                   |
| Principal retirement   | -                      | -                                | -                | -               | -                 | -               | -                 |
| Interest   | -                      | -                                | -                | -               | -                 | -               | -                 |
| Total expenditures   | <u>9,997</u>           | <u>5,507</u>                     | <u>-</u>         | <u>5,000</u>    | <u>1</u>          | <u>-</u>        | <u>8,375</u>      |
| Excess Revenues Over<br>(Under) Expenditures                         | (328)                  | 3,979                            | 3,693            | 823             | (1)               | -               | 4,453             |
| Other Financing Sources (Uses)                                       |                        |                                  |                  |                 |                   |                 |                   |
| Operating transfers in   | -                      | -                                | -                | -               | -                 | -               | -                 |
| Operating transfers out  | -                      | -                                | -                | -               | -                 | -               | -                 |
| Total other financing<br>sources (uses)                              | <u>-</u>               | <u>-</u>                         | <u>-</u>         | <u>-</u>        | <u>-</u>          | <u>-</u>        | <u>-</u>          |
| Net Change in Fund Balances  | (328)                  | 3,979                            | 3,693            | 823             | (1)               | -               | 4,453             |
| Fund Balance (Deficit),<br>Beginning of Year, As Originally Reported | 539                    | 28,530                           | 32,056           | 5,444           | 1,193             | 8,805           | 101,863           |
| Prior Period Adjustment  | -                      | -                                | -                | -               | -                 | -               | -                 |
| Beginning of Year, As Restated                                       | <u>539</u>             | <u>28,530</u>                    | <u>32,056</u>    | <u>5,444</u>    | <u>1,193</u>      | <u>8,805</u>    | <u>101,863</u>    |
| Fund Balance (Deficit),<br>End of Year                               | <u>\$ 211</u>          | <u>\$ 32,509</u>                 | <u>\$ 35,749</u> | <u>\$ 6,267</u> | <u>\$ 1,192</u>   | <u>\$ 8,805</u> | <u>\$ 106,316</u> |

**CITY OF CAVALIER**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE – CONTINUED**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

|  | <u>Recreation</u> | <u>Library</u>   | <u>Fire<br/>Department</u> | <u>Growth</u>     | <u>Beautification</u> | <u>Forestry</u> | <u>Total<br/>Special Revenue<br/>Funds</u> |
|--|-------------------|------------------|----------------------------|-------------------|-----------------------|-----------------|--|
| <b>Revenues:</b>   |                   |                  |                            |                   |                       |                 |  |
| Taxes  | \$ 6,948          | \$ 31,365        | \$ -                       | \$ -              | \$ -                  | \$ -            | \$ 69,173                                  |
| Charges for services   | 44,892            | 1,432            | -                          | -                 | -                     | -               | 46,324                                     |
| Other  | 31,341            | 1,241            | 155,124                    | 3,954             | 3,097                 | -               | 205,396                                    |
| <b>Total revenues</b>  | <u>83,181</u>     | <u>34,038</u>    | <u>155,124</u>             | <u>3,954</u>      | <u>3,097</u>          | <u>-</u>        | <u>320,893</u>                             |
| <b>Expenditures:</b>   |                   |                  |                            |                   |                       |                 |  |
| <b>Current:</b>  |                   |                  |                            |                   |                       |                 |  |
| General government   | -                 | -                | -                          | -                 | 2,065                 | -               | 2,065                                      |
| Public safety  | -                 | -                | 128,937                    | -                 | -                     | -               | 128,937                                    |
| Culture and recreation   | 32,254            | 7,113            | -                          | -                 | -                     | -               | 39,367                                     |
| Capital outlay   | -                 | -                | -                          | 95,000            | -                     | -               | 95,000                                     |
| Other  | -                 | -                | -                          | 7,650             | -                     | -               | 36,530                                     |
| <b>Debt Service:</b>   |                   |                  |                            |                   |                       |                 |  |
| Principal retirement   | -                 | 19,225           | -                          | -                 | -                     | -               | 19,225                                     |
| Interest   | -                 | 777              | -                          | -                 | -                     | -               | 777  |
| <b>Total expenditures</b>  | <u>32,254</u>     | <u>27,115</u>    | <u>128,937</u>             | <u>102,650</u>    | <u>2,065</u>          | <u>-</u>        | <u>321,901</u>                             |
| <b>Excess Revenues Over<br/>(Under) Expenditures</b>                         | 50,927            | 6,923            | 26,187                     | (98,696)          | 1,032                 | -               | (1,008)                                    |
| <b>Other Financing Sources (Uses)</b>  |                   |                  |                            |                   |                       |                 |  |
| Operating transfers in   | -                 | -                | -                          | 50,000            | -                     | -               | 50,000                                     |
| Operating transfers out  | (5,000)           | (4,000)          | -                          | -                 | -                     | -               | (9,000)                                    |
| <b>Total other financing<br/>sources (uses)</b>                              | <u>(5,000)</u>    | <u>(4,000)</u>   | <u>-</u>                   | <u>50,000</u>     | <u>-</u>              | <u>-</u>        | <u>41,000</u>                              |
| <b>Net Change in Fund Balances</b>   | 45,927            | 2,923            | 26,187                     | (48,696)          | 1,032                 | -               | 39,992                                     |
| <b>Fund Balance (Deficit),<br/>Beginning of Year, As Originally Reported</b> |                   |                  |                            |                   |                       |                 |  |
| Prior Period Adjustment  | -                 | -                | (30,882)                   | -                 | -                     | -               | (30,882)                                   |
| <b>Beginning of Year, As Restated</b>  | <u>124,248</u>    | <u>18,830</u>    | <u>169,325</u>             | <u>262,505</u>    | <u>1,606</u>          | <u>1,899</u>    | <u>756,843</u>                             |
| <b>Fund Balance (Deficit),<br/>End of Year</b>                               | <u>\$ 170,175</u> | <u>\$ 21,753</u> | <u>\$ 195,512</u>          | <u>\$ 213,809</u> | <u>\$ 2,638</u>       | <u>\$ 1,899</u> | <u>\$ 796,835</u>                          |

**CITY OF CAVALIER**  
**COMBINING BALANCE SHEET**  
**NONMAJOR DEBT SERVICE FUNDS**  
**DECEMBER 31, 2019**

|  | <u>Pines Street</u> | <u>Lift Station<br/>Improvement</u> | <u>Water Tower<br/>Project</u> | <u>Total Non Major<br/>Debt Service<br/>Funds</u> |
|--|---------------------|-------------------------------------|--------------------------------|---|
| <b>Assets:</b>   |                     |                                     |                                |   |
| Cash and cash equivalents  | \$ 55,968           | \$ 122,696                          | \$ -                           | \$ 178,664  |
| Receivables:   |                     |                                     |                                |   |
| Special assessments  | <u>51,665</u>       | <u>173,471</u>                      | <u>-</u>                       | <u>225,136</u>                                    |
| <b>Total Assets</b>  | <u>\$ 107,633</u>   | <u>\$ 296,167</u>                   | <u>\$ -</u>                    | <u>\$ 403,800</u>                                 |
| <b>Liabilities, Deferred Inflows of Resources and Fund Balance:</b>          |                     |                                     |                                |   |
| <b>Liabilities:</b>  |                     |                                     |                                |   |
| Due to other funds   | <u>\$ -</u>         | <u>\$ -</u>                         | <u>\$ 23,015</u>               | <u>\$ 23,015</u>                                  |
| <b>Total liabilities</b>   | <u>-</u>            | <u>-</u>                            | <u>23,015</u>                  | <u>23,015</u>                                     |
| <b>Deferred Inflows of resources</b>   |                     |                                     |                                |   |
| Delinquent special assessments   | 9,869               | 2,033                               | -                              | 11,902  |
| Uncertified special assessments  | <u>41,796</u>       | <u>171,438</u>                      | <u>-</u>                       | <u>213,234</u>                                    |
| <b>Total Deferred Inflows of Resources</b>                                   | <u>51,665</u>       | <u>173,471</u>                      | <u>-</u>                       | <u>225,136</u>                                    |
| <b>Fund Balance:</b>   |                     |                                     |                                |   |
| Restricted for debt service  | 55,968              | 122,696                             | -                              | 178,664   |
| Unrestricted   | <u>-</u>            | <u>-</u>                            | <u>(23,015)</u>                | <u>(23,015)</u>                                   |
|  | <u>55,968</u>       | <u>122,696</u>                      | <u>(23,015)</u>                | <u>155,649</u>                                    |
| <b>Total Liabilities, Deferred Inflows<br/>of Resources and Fund Balance</b> | <u>\$ 107,633</u>   | <u>\$ 296,167</u>                   | <u>\$ -</u>                    | <u>\$ 403,800</u>                                 |

**CITY OF CAVALIER**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**NONMAJOR DEBT SERVICE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

|   | <u>Pines Street</u> | <u>Lift Station<br/>Improvement</u> | <u>Water Tower<br/>Project</u> | <u>Total Non major<br/>Debt Service<br/>Funds</u> |
|---|---------------------|-------------------------------------|--------------------------------|---|
| Revenues:                                       |                     |                                     |                                |   |
| Special assessments                             | \$ 28,952           | \$ 22,930                           | \$ -                           | \$ 51,882   |
| Total revenues                                  | <u>28,952</u>       | <u>22,930</u>                       | <u>-</u>                       | <u>51,882</u>                                     |
| Expenditures:                                   |                     |                                     |                                |   |
| Debt Service:                                   |                     |                                     |                                |   |
| Bond principal                                  | 27,668              | -                                   | 16,691                         | 44,359  |
| Bond interest                                   | 1,120               | -                                   | 6,324                          | 7,444   |
| Fiscal charges                                  | 500                 | 1,300                               | -                              | 1,800   |
| Total expenditures                              | <u>29,288</u>       | <u>1,300</u>                        | <u>23,015</u>                  | <u>53,603</u>                                     |
| Excess of Revenues Over<br>(Under) Expenditures | (336)               | 21,630                              | (23,015)                       | (1,721)   |
| Other Financing Sources (Uses):                 |                     |                                     |                                |   |
| Operating transfers out                         | -                   | (26,300)                            | -                              | (26,300)  |
| Total Other Financing Sources (Uses)            | <u>-</u>            | <u>(26,300)</u>                     | <u>-</u>                       | <u>(26,300)</u>                                   |
| Net Change in Fund Balances                     | <u>(336)</u>        | <u>(4,670)</u>                      | <u>(23,015)</u>                | <u>(28,021)</u>                                   |
| Fund Balance, Beginning of Year                 | <u>56,304</u>       | <u>127,366</u>                      | <u>-</u>                       | <u>183,670</u>                                    |
| Fund Balance, End of Year                       | <u>\$ 55,968</u>    | <u>\$ 122,696</u>                   | <u>\$ (23,015)</u>             | <u>\$ 155,649</u>                                 |

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

Mayor and Alderman of the  
City Council  
City of Cavalier  
Cavalier, 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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Cavalier, North Dakota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 17, 2021.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Cavalier'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 the City of Cavalier's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Cavalier'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 the 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 find certain deficiencies in internal control, described in the accompanying schedule of findings and responses as 2019-001 and 2019-002 that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Cavalier, North Dakota'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*.

### **City of Cavalier's Response to Findings**

The City of Cavalier's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City of Cavalier's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this report**

This report is intended 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.



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

May 17, 2021

**CITY OF CAVALIER**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**AS OF DECEMBER 31, 2019**

**Control Deficiency 2019-001 – Material Weakness**

**Criteria**

An appropriate system of internal controls maintains proper segregation of duties to provide reasonable assurance that transactions are handled appropriately.

**Condition**

The City has two office employees who are responsible for all accounting and administrative functions. The individuals handle all incoming monies, prepare receipts, prepare deposits, issues all checks and distributes them, and receives bank statements and does the reconciliations. The individuals also record receipts and disbursements to the journals and maintains the general ledger. The degree of internal control is severely limited.

**Cause of Condition**

Size and budget constraints limit the number of personnel within the accounting department.

**Effect**

Lack of segregation of duties leads to a limited degree of internal control.

**Recommendation**

The above functions should be reviewed periodically and consideration given to improving the segregation of duties. Compensating controls over the underlying financial information may be obtained through oversight by management and the Council.

**Response**

We concur with the auditor's recommendation. The City will consider the costs and benefits of this recommendation.

**CITY OF CAVALIER**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
**AS OF DECEMBER 31, 2019**

**Control Deficiency 2019-002 – Material Weakness**

**Criteria**

An appropriate system of internal control requires the entity to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

**Condition**

The City's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the entity currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The City has elected to have the auditors assist in the preparation of the financial statements and notes.

**Cause**

The City elected to not allocate resources for the preparation of the financial statements.

**Effect**

There is an increased risk of material misstatement to the City's financial statements

**Recommendation**

We recommend the City consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control the City should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

**Response**

We concur with the auditor's finding and will consider the risks and costs associated with the financial statement preparation.