



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Cavalier County

Cavalier, North Dakota

Audit Report for the Year Ended December 31, 2020

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Office of the
State Auditor

CAVALIER COUNTY

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CAVALIER COUNTY

County Officials and Audit Personnel

December 31, 2020

COUNTY OFFICIALS

Nick Moser	Chairman
Austin Lafrenz	Vice Chairman
Greg Goodman	Commissioner
Stanley Dick	Commissioner
David Zeis	Commissioner
Lisa Gellner	Auditor
Vicki Kubat	County Recorder
Laurie Fontaine	District County Judge
Greg Fetsch	Sheriff
Scott Stewart	State's Attorney
Cynthia Stremick	Treasurer

AUDIT PERSONNEL

Heath Erickson, CPA	Audit Manager
Michael Schmitcke, CPA	Audit In-Charge



INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Cavalier County
Langdon, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cavalier County, North Dakota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Cavalier County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cavalier County, North Dakota, as of December 31, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 2 to the financial statements, the 2020 financial statements have been restated to correct a misstatement. Our opinion is 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 *budgetary comparison schedules, schedule of employer's share of net pension liability and employer contributions, schedule of employer's share of net OPEB liability and employer contributions, and notes to the required supplementary information* as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the *management's discussion and analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cavalier County's basic financial statements. The *schedule of expenditures of federal awards* and *notes to the schedule of expenditures of federal awards*, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements.

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

CAVALIER COUNTY

Independent Auditor's Report - Continued

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2021 on our consideration of Cavalier County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Cavalier County'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 Cavalier County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
September 10, 2021

CAVALIER COUNTY
Statement of Net Position
December 31, 2020

	Primary Government	
	Governmental Activities	Component Units
ASSETS		
Cash, Cash Equivalents and Investments	\$ 8,820,446	\$ 1,110,944
Other Assets	-	20,273
Accounts Receivable	9,014	183
Intergovernmental Receivable	399,086	15,201
Road Accounts Receivable	41,777	-
Taxes Receivable	70,381	8,792
Loans Receivable	54,872	304,667
Capital Assets		
Nondepreciable	156,529	-
Depreciable, Net	13,533,482	1,673,085
Total Assets	\$ 23,085,587	\$ 3,133,145
DEFERRED OUTFLOWS OF RESOURCES		
Derived from Pensions and OPEB	\$ 6,804,962	\$ 288,616
LIABILITIES		
Accounts Payable	\$ 69,330	\$ -
Grants Received in Advance	14,940	-
Salaries and Benefits Payable	3,197	15,923
City Loans Payable	-	239,451
Interest Payable	15,817	-
Long-Term Liabilities		
Due Within One Year		
Long-Term Debt	258,263	35,828
Compensated Absences	41,281	2,288
Due Outside One Year		
Long-Term Debt	522,894	147,750
Compensated Absences	371,531	20,594
Net Pension & OPEB Liability	9,804,327	479,176
Total Liabilities	\$ 11,101,580	\$ 941,010
DEFERRED INFLOWS OF RESOURCES		
Taxes Received in Advance	\$ 1,388,799	\$ -
Derived from Pensions and OPEB	1,358,230	82,391
Total Deferred Inflows of Resources	\$ 2,747,029	\$ 82,391
NET POSITION		
Net Investment in Capital Assets	\$ 12,893,037	\$ 1,495,678
Restricted		
Highways & Bridges	2,466,917	-
Health & Welfare	-	178,206
Culture & Recreation	-	94,884
Conservation of Natural Resources	1,936	591,637
Emergencies	110,441	-
Economic Development	-	37,955
Unrestricted	569,609	-
Total Net Position	\$ 16,041,940	\$ 2,398,360

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

CAVALIER COUNTY

Statement of Activities

For the Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Fees, Fines, Forfeits & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Units
Primary Government						
Governmental Activities						
General Government	\$ 2,257,619	\$ 136,224	\$ 11,650	\$ -	\$ (2,109,745)	
Public Safety	1,674,052	371,212	68,446	69,044	(1,165,350)	
Highways & Bridges	2,807,625	177,424	601,691	-	(2,028,510)	
Health & Welfare	4,152,601	271,782	3,608,082	-	(272,737)	
Flood Repair	208,817	-	273,026	-	64,209	
Conservation of Natural Resources	289,859	9,518	59,390	-	(220,951)	
Other	27,499	-	-	-	(27,499)	
Interest and Fees on Long-Term Debt	17,136	-	-	-	(17,136)	
Total Governmental Activities	<u>\$ 11,435,208</u>	<u>\$ 966,160</u>	<u>\$ 4,622,285</u>	<u>\$ 69,044</u>	<u>\$ (5,777,719)</u>	
Component Units						
Governmental Activities						
Water Resource District	\$ 575,367	\$ 130,500	\$ 26,530	\$ -	\$ -	\$ (418,337)
Health District	656,722	88,116	544,463	-	-	(24,143)
Job Development Authority	234,687	4,967	-	-	-	(229,720)
County Library	113,478	1,065	-	-	-	(112,413)
Total Component Units	<u>\$ 1,580,254</u>	<u>\$ 224,648</u>	<u>\$ 570,993</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (784,613)</u>
General Revenues						
Property taxes					\$ 3,948,649	\$ 721,824
Sales taxes					-	13,916
Nonrestricted Grants and Contributions					776,218	9,200
Unrestricted investment earnings					126,648	8,465
Loss on Sale of Capital Asset					-	3,415
Miscellaneous revenue					169,576	11,095
Total General Revenues					<u>\$ 5,021,091</u>	<u>\$ 767,915</u>
Change in Net Position					<u>\$ (756,628)</u>	<u>\$ (16,698)</u>
Net Position - January 1					<u>\$ 16,732,130</u>	<u>\$ 2,416,658</u>
Prior Period Adjustment					<u>\$ 66,438</u>	<u>\$ (1,600)</u>
Net Position - January 1, as restated					<u>\$ 16,798,568</u>	<u>\$ 2,415,058</u>
Net Position - December 31					<u>\$ 16,041,940</u>	<u>\$ 2,398,360</u>

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

CAVALIER COUNTY

Balance Sheet – Governmental Funds

December 31, 2020

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 3,999,135	\$ 4,821,311	\$ 8,820,446
Accounts Receivable	9,014	-	9,014
Intergovernmental Receivable	195,538	203,548	399,086
Loan Receivables	54,872	-	54,872
Road Receivables	-	41,777	41,777
Taxes Receivable	32,340	38,041	70,381
Total Assets	<u>\$ 4,290,899</u>	<u>\$ 5,104,677</u>	<u>\$ 9,395,576</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 27,220	\$ 42,110	\$ 69,330
Salaries Payable	3,197	-	3,197
Grants Received in Advance	-	14,940	14,940
Total Liabilities	<u>\$ 30,417</u>	<u>\$ 57,050</u>	<u>\$ 87,467</u>
Deferred Inflows of Resources			
Road Receivables	\$ -	\$ 41,777	\$ 41,777
Taxes Received in Advance	647,606	741,193	1,388,799
Taxes Receivable	32,340	38,041	70,381
Total Deferred Inflows of Resources	<u>\$ 679,946</u>	<u>\$ 821,011</u>	<u>\$ 1,500,957</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 710,363</u>	<u>\$ 878,061</u>	<u>\$ 1,588,424</u>
Fund Balances			
Nonspendable			
Loan Receivable	\$ 54,872	\$ -	\$ 54,872
Restricted			
General Government	-	11,407	11,407
Public Safety	-	298,486	298,486
Highways & Bridges	-	3,012,546	3,012,546
Health & Welfare	-	689,946	689,946
Conservation of Natural Resources	-	104,030	104,030
Emergencies	-	110,201	110,201
Unassigned	3,525,664	-	3,525,664
Total Fund Balances	<u>\$ 3,580,536</u>	<u>\$ 4,226,616</u>	<u>\$ 7,807,152</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,290,899</u>	<u>\$ 5,104,677</u>	<u>\$ 9,395,576</u>

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

CAVALIER COUNTY

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

December 31, 2020

Total Fund Balances - Governmental Funds

\$ 7,807,152

Total *net position* reported for government activities in the statement of net position is different because:

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

13,690,011

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

Property Taxes Receivable

\$ 70,381

Road Department Accounts Receivable

41,777

112,158

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

Deferred Outflows Related to Pensions and OPEB

\$ 6,804,962

Deferred Inflows Related to Pensions and OPEB

(1,358,230)

5,446,732

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

Loans Payable

\$ (781,157)

Interest Payable

(15,817)

Compensated Absences Payable

(412,812)

Net Pension and OPEB Liability

(9,804,327)(11,014,113)**Total Net Position of Governmental Activities**\$ 16,041,940

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

CAVALIER COUNTYStatement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended December 31, 2020

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 1,885,950	\$ 2,067,219	\$ 3,953,169
Intergovernmental	976,039	4,491,509	5,467,548
Charges for Services	500,544	435,211	935,755
Licenses, Permits and Fees	13,030	-	13,030
Interest Income	126,648	-	126,648
Miscellaneous	137,537	32,040	169,577
Total Revenues	\$ 3,639,748	\$ 7,025,979	\$ 10,665,727
EXPENDITURES			
Current			
General Government	\$ 1,837,880	\$ 14,270	\$ 1,852,150
Public Safety	1,363,117	175,350	1,538,467
Highways & Bridges	-	1,808,767	1,808,767
Health & Welfare	50,030	3,144,053	3,194,083
Flood Repair	-	208,817	208,817
Conserv. of Natural Resources	-	273,817	273,817
Other	27,500	-	27,500
Debt Service			
Principal	62,461	172,465	234,926
Interest	2,471	7,826	10,297
Total Expenditures	\$ 3,343,459	\$ 5,805,365	\$ 9,148,824
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 296,289	\$ 1,220,614	\$ 1,516,903
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ 85,177	\$ 1,462,356	\$ 1,547,533
Loan/Debt Proceeds	32,000	-	32,000
Transfers Out	(80,702)	(1,466,831)	(1,547,533)
Total Other Financing Sources and Uses	\$ 36,475	\$ (4,475)	\$ 32,000
Net Change in Fund Balances	\$ 332,764	\$ 1,216,139	\$ 1,548,903
Fund Balances - January 1	\$ 3,229,290	\$ 3,010,477	\$ 6,239,767
Prior Period Adjustment	\$ 18,482	-	18,482
Fund Balance - Jan. 1, as restated	\$ 3,247,772	\$ 3,010,477	\$ 6,258,249
Fund Balances - December 31	\$ 3,580,536	\$ 4,226,616	\$ 7,807,152

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

CAVALIER COUNTY

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2020

Net Change in Fund Balances - Total Governmental Funds

\$ 1,548,903

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

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

Capital Outlay	\$ 318,546	
Depreciation Expense	<u>(952,867)</u>	(634,321)

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

Issuance of Loans	\$ (32,000)	
Repayment of Long-Term Debt	<u>234,926</u>	202,926

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

Increase in Interest Payable	\$ (6,840)	
Increase in Compensated Absences Payable	<u>(141,282)</u>	(148,122)

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

Increase in Net Pension & OPEB Liability	\$ (7,308,620)	
Increase in Deferred Outflows of Resources Related to Pensions	5,705,776	
Increase in Deferred Inflows of Resources Related to Pensions	<u>(136,024)</u>	(1,738,868)

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures.

Decrease in Taxes Receivable	\$ (4,520)	
Increase in Road Receivables	<u>17,374</u>	<u>12,854</u>

Change in Net Position of Governmental Activities\$ (756,628)

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

CAVALIER COUNTY

Statement of Fiduciary Net Position – Fiduciary Funds

December 31, 2020

	Custodial Funds
	<u> </u>
ASSETS	
Cash and cash equivalents	<u><u>\$ 2,952,934</u></u>
 LIABILITIES & DEFERRED INFLOWS OF RESOURCES	
Liabilities	
Funds Held for Other Governmental Units	\$ 60,745
Funds Held for Other Purposes	<u> 17,731</u>
 Total Liabilities	<u><u>\$ 78,476</u></u>
 Deferred Inflows of Resources	
Taxes Received in Advance	<u><u>\$ 2,874,458</u></u>
 Total Liabilities and Deferred Inflows of Resources	<u><u>\$ 2,952,934</u></u>

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

CAVALIER COUNTY

Statement of Changes in Fiduciary Net Position – Fiduciary Funds
December 31, 2020

	<u>Custodial Funds</u>
ADDITIONS	
Tax Collections for Other Governments	\$ 8,447,245
Grant Collections for Other Governments	558,956
Miscellaneous Collections	<u>14,757</u>
 Total Additions	 <u><u>\$ 9,020,958</u></u>
 DEDUCTIONS	
Tax Disbursements to Other Governments	\$ 8,447,245
Grant Disbursements to Other Governments	558,956
Miscellaneous Disbursements	<u>14,757</u>
 Total Deductions	 <u><u>\$ 9,020,958</u></u>
 Net Increase (Decrease) in Fiduciary Net Position	 <u>\$ -</u>
 Net Position - Beginning	 <u>\$ -</u>
 Net Position - Ending	 <u><u>\$ -</u></u>

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

CAVALIER COUNTY

Combining Statement of Net Position – Discretely Presented Component Units

For the Year Ended December 31, 2020

	Water Resource District	Health District	Job Development Authority	County Library	Total
ASSETS					
Cash, Cash Equivalents and Investments	\$ 578,409	\$ 371,196	\$ 63,540	\$ 97,799	\$ 1,110,944
Other Assets	20,273	-	-	-	20,273
Accounts Receivable	183	-	-	-	183
Intergovernmental Receivable	-	15,201	-	-	15,201
Taxes Receivable	2,292	1,059	3,466	1,975	8,792
Loans Receivable	-	-	304,667	-	304,667
Capital Assets					
Depreciable, Net	1,668,331	-	-	4,754	1,673,085
Total Assets	\$ 2,269,488	\$ 387,456	\$ 371,673	\$ 104,528	\$ 3,133,145
DEFERRED OUTFLOWS OF RESOURCES					
Derived from Pensions and OPEB	\$ -	\$ 202,369	\$ 86,247	\$ -	\$ 288,616
LIABILITIES					
City Loans Payable	\$ -	\$ -	\$ 239,451	\$ -	\$ 239,451
Payroll Liabilities	9,520	4,758	1,645	-	15,923
Interest Payable	-	-	-	-	-
Long-Term Liabilities					
Due Within One Year					
Long-Term Debt	29,657	-	6,171	-	35,828
Compensated Absences	-	1,281	518	489	2,288
Due Outside One Year					
Long-Term Debt	147,750	-	-	-	147,750
Compensated Absences	-	11,532	4,661	4,401	20,594
Net Pension & OPEB Liability	-	333,973	145,203	-	479,176
Total Liabilities	\$ 186,927	\$ 351,544	\$ 397,649	\$ 4,890	\$ 941,010
DEFERRED INFLOWS OF RESOURCES:					
Derived from Pensions and OPEB	\$ -	\$ 60,075	\$ 22,316	\$ -	\$ 82,391
Total Deferred Inflows of Resources	\$ -	\$ 60,075	\$ 22,316	\$ -	\$ 82,391
NET POSITION					
Net Investment in Capital Assets	\$ 1,490,924	\$ -	\$ -	\$ 4,754	\$ 1,495,678
Restricted					
Health & Welfare	-	178,206	-	-	178,206
Conservation of Natural Resources	591,637	-	-	-	591,637
Economic Development	-	-	37,955	-	37,955
Culture & Recreation	-	-	-	94,884	94,884
Total Net Position	\$ 2,082,561	\$ 178,206	\$ 37,955	\$ 99,638	\$ 2,398,360

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

CAVALIER COUNTY

Combining Statement of Activities – Discretely Presented Component Units

For the Year Ended December 31, 2020

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Water Resource	Health District	Job Development Authority	County Library	Total
Component Units								
Governmental Activities								
Water Resource District	\$ 575,367	\$ 130,500	\$ 26,530	\$ (418,337)	\$ -	\$ -	\$ -	\$ (418,337)
Health District	656,722	88,116	544,463	-	(24,143)	-	-	(24,143)
Job Development Authority	234,687	4,967	-	-	-	(229,720)	-	(229,720)
County Library	113,478	1,065	-	-	-	-	(112,413)	(112,413)
Total Component Units	<u>\$ 1,580,254</u>	<u>\$ 224,648</u>	<u>\$ 570,993</u>	<u>\$ (418,337)</u>	<u>\$ (24,143)</u>	<u>\$ (229,720)</u>	<u>\$ (112,413)</u>	<u>\$ (784,613)</u>
General Revenues								
Property Taxes				\$ 363,534	\$ 57,676	\$ 190,042	\$ 110,572	\$ 721,824
Sales Tax				-	-	13,916	-	13,916
Nonrestricted Grants and Contributions				-	-	-	9,200	9,200
Unrestricted Investment & Interest Earnings				6,503	1,662	-	300	8,465
Gain on Sale of Capital Asset				3,415	-	-	-	3,415
Miscellaneous revenue				2,481	168	3,724	4,722	11,095
Total General Revenues				<u>\$ 375,933</u>	<u>\$ 59,506</u>	<u>\$ 207,682</u>	<u>\$ 124,794</u>	<u>\$ 767,915</u>
Change in Net Position				<u>\$ (42,404)</u>	<u>\$ 35,363</u>	<u>\$ (22,038)</u>	<u>\$ 12,381</u>	<u>\$ (16,698)</u>
Net Position - January 1				<u>\$ 2,126,565</u>	<u>\$ 142,843</u>	<u>\$ 59,993</u>	<u>\$ 87,257</u>	<u>\$ 2,416,658</u>
Prior Period Adjustments				<u>\$ (1,600)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,600)</u>
Net Assets - January 1, as restated				<u>\$ 2,124,965</u>	<u>\$ 142,843</u>	<u>\$ 59,993</u>	<u>\$ 87,257</u>	<u>\$ 2,415,058</u>
Net Position - December 31				<u>\$ 2,082,561</u>	<u>\$ 178,206</u>	<u>\$ 37,955</u>	<u>\$ 99,638</u>	<u>\$ 2,398,360</u>

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

CAVALIER COUNTY

Notes to the Financial Statements
For the Year Ended December 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Component Units

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

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

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

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

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

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

Basis of Presentation

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

CAVALIER COUNTY

Notes to the Financial Statements – Continued

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

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

The County reports the following major governmental funds:

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

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

Additionally, the County reports the following fiduciary fund types:

Custodial Funds - These funds account for assets by the County in a custodial capacity as an agent on behalf of others. The County's custodial funds are used to account for property taxes collected on behalf of other governments.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide and Fiduciary Fund Financial Statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

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

CAVALIER COUNTYNotes to the Financial Statements – Continued

Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

The investments of the County consist of certificates of deposit stated at cost with maturities in excess of three months.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

Compensated Absences

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

Long-Term Obligations

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

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

Pension

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

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, 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.

Fund Balances

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

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

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

Net Position

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

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

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

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

Interfund Transactions

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

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

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

CAVALIER COUNTY

Notes to the Financial Statements – Continued

NOTE 2 PRIOR PERIOD ADJUSTMENTS

Net position of the County as of January 1, 2020 has been restated for the net capital asset adjustment as shown below. The result of the adjustment increased the beginning net position of the County.

Primary Government	Amounts
Beginning Net Position, as previously reported	\$ 16,732,130
Prior Period Adjustment	
Capital Assets, Net	47,956
Cash	18,482
Net Position January 1, as restated	<u>\$ 16,798,568</u>

General Fund Balance of the County as of January 1, 2020 has also been restated for the cash adjustment as shown below. The result of the adjustment increased the beginning fund balance of County:

Primary Government	Amounts
Beginning General Fund Balance, as previously reported	\$ 3,229,290
Prior Period Adjustment	
Cash	18,482
Net Position January 1, as restated	<u>\$ 3,247,772</u>

Discretely Presented Component Units

Net position of the Water Resource District as of January 1, 2020 has been restated for an accounts receivable adjustment as shown below. The result of the adjustment decreased the beginning net position of the Water Resource District.

Water Resource District	Amounts
Beginning Net Position, as previously reported	\$ 2,126,565
Prior Period Adjustment	
Accounts Receivable	(1,600)
Net Position January 1, as restated	<u>\$ 2,124,965</u>

NOTE 3 DEPOSITS**Custodial Credit Risk**

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

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

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

CAVALIER COUNTY

Notes to the Financial Statements – Continued

Primary Government

At year ended December 31, 2020, the County's carrying amount of deposits totaled \$11,513,342, and the bank balances totaled \$11,674,613. Of the bank balances, \$750,000 was covered by Federal Depository Insurance and \$13,076 was held at the Bank of North Dakota (not requiring collateralization). The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

Discretely Presented Component Units

The Water Resource District's carrying amount of deposits totaled \$578,354 and the bank balances totaled \$587,478. Of the bank balances, \$521,485 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

The Health District's The carrying value of deposits totaled \$371,196 and the bank balances totaled \$380,439, all of was covered by Federal Depository Insurance.

The Job Development Authority's carrying amount of deposits totaled \$63,540 and the bank balances totaled \$71,598, all of which was covered by Federal Depository Insurance.

The Library's carrying amount of deposits totaled \$97,799 and bank balances totaled \$105,940, all of which was covered by Federal Depository Insurance.

NOTE 4 PROPERTY TAXES

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

NOTE 5 LOANS RECEIVABLE

Primary Government

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

Discretely Presented Component Units

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

CAVALIER COUNTY

Notes to the Financial Statements – Continued

NOTE 6 CAPITAL ASSETS**Primary Government**

The following is a summary of changes in capital assets for the County for the year ended December 31, 2020:

Primary Government	Restated Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Not Being Depreciated					
Land	\$ 30,000	\$ -	\$ -	\$ -	\$ 30,000
Construction in Progress	-	126,529	-	-	126,529
Total Capital Assets, Not Being Depreciated	\$ 30,000	\$ 126,529	\$ -	\$ -	\$ 156,529
Capital Assets Being Depreciated					
Buildings	\$ 500,000	\$ -	\$ -	\$ -	\$ 500,000
Building Improvements	1,114,466	40,371	-	-	1,154,837
Vehicles & Equipment	3,898,089	159,884	28,834	-	4,029,139
Infrastructure	14,700,700	-	-	-	14,700,700
Total Capital Assets, Being Depreciated	\$ 20,213,255	\$ 200,255	\$ 28,834	\$ -	\$ 20,384,676
Less Accumulated Depreciation					
Buildings	\$ 315,000	\$ 5,000	\$ -	\$ -	\$ 320,000
Building Improvements	218,290	46,193	-	-	264,483
Vehicles & Equipment	1,904,786	313,646	20,596	-	2,197,836
Infrastructure	3,480,847	588,028	-	-	4,068,875
Total Accumulated Depreciation	\$ 5,918,923	\$ 952,867	\$ 20,596	\$ -	\$ 6,851,194
Total Capital Assets Being Depreciated, Net	\$ 14,294,332	\$ (752,612)	\$ 8,238	\$ -	\$ 13,533,482
Primary Government Capital Assets, Net	\$ 14,324,332	\$ (626,083)	\$ 8,238	\$ -	\$ 13,690,011

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

Primary Government	Amounts
General Government	\$ 48,802
Public Safety	72,679
Highways	797,916
Health and Welfare	20,391
Conservation of Natural Resources	13,079
Total Depreciation Expense - Govt. Activities	\$ 952,867

CAVALIER COUNTY

Notes to the Financial Statements – Continued

Discretely Presented Component Unit

The following is a summary of changes in capital assets for the year ended December 31, 2020 for the Water Resource District and Library:

Water Resource District	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Being Depreciated					
Vehicles & Equipment	\$ 97,612	\$ 14,349	\$ 13,224	\$ -	\$ 98,737
Infrastructure	3,142,147	191,541	-	-	3,333,688
Total Capital Assets, Being Depreciated	\$ 3,239,759	\$ 205,890	\$ 13,224	\$ -	\$ 3,432,425
Less Accumulated Depreciation					
Vehicles & Equipment	\$ 65,162	\$ 11,279	\$ 5,290	\$ -	\$ 71,151
Infrastructure	1,559,596	133,348	-	-	1,692,943
Total Accumulated Depreciation	\$ 1,624,758	\$ 144,627	\$ 5,290	\$ -	\$ 1,764,094
Total Capital Assets Being Depreciated, Net	\$ 1,615,001	\$ 61,263	\$ 7,934	\$ -	\$ 1,668,331
Water Resource District Capital Assets, Net	\$ 1,615,001	\$ 61,263	\$ 7,934	\$ -	\$ 1,668,331

Library	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Being Depreciated					
Vehicles & Equipment	\$ 11,884	\$ -	\$ -	\$ -	\$ 11,884
Less Accumulated Depreciation					
Vehicles & Equipment	\$ 5,942	\$ 1,188	\$ -	\$ -	\$ 7,130
County Library Capital Assets, Net	\$ 5,942	\$ (1,188)	\$ -	\$ -	\$ 4,754

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

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

During the year ended December 31, 2020, the following changes occurred in liabilities reported in long-term liabilities:

Primary Government	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Loans Payable	\$ 984,083	\$ 32,000	\$ 234,926	\$ 781,157	\$ 258,263
Compensated Absences *	\$ 271,529	\$ 141,283	\$ -	\$ 412,812	\$ 41,281
Net Pension and OPEB Liability *	2,495,707	7,308,620	-	9,804,327	-
Total Primary Government	\$ 3,751,319	\$ 7,481,903	\$ 234,926	\$10,998,296	\$ 299,544

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

CAVALIER COUNTY

Notes to the Financial Statements – Continued

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

Primary Government		
Year Ending Dec 31	Loans Payable	
	Principal	Interest
2021	\$ 258,263	\$ 19,700
2022	172,993	13,660
2023	121,962	9,687
2024	100,052	6,596
2025	63,183	3,533
2026-2029	64,704	2,012
Total	\$ 781,157	\$ 55,188

Discretely Presented Component UnitsWater Resource District

During the year ended December 31, 2020, the following changes occurred in governmental long-term liabilities of the Water Resource District:

Water Resource District	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Line of Credit Payable	\$ -	\$ 177,407	\$ -	\$ 177,407	\$ 29,657

The Water Resource District issued a new line of credit in 2020 in the amount of \$197,196. During the year, the Water Resource District used \$177,407 of the available \$197,196. The unused portion of the line of credit at the end of 2020 for the Water resource District was \$19,789.

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

Water Resource District		
Year Ending Dec 31	Line of Credit Payable	
	Principal	Interest
2021	\$ 29,657	-
2022	29,657	-
2023	29,657	-
2024	29,657	-
2025	29,657	-
2026-2029	29,122	-
Total	\$ 177,407	\$ -

The Line of Credit Payable does not have an amortization schedule for breakdowns of principals and interest payments. The loan matures on April 1, 2027 with an interest rate of 1.50%.

CAVALIER COUNTY

Notes to the Financial Statements – Continued

Public Health District

During the year ended December 31, 2020, the following changes occurred in governmental long-term liabilities of the Health District:

Health District	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 27,973	\$ -	\$ 15,160	\$ 12,813	\$ 1,281
Net Pension and OPEB Liability *	150,268	183,705	-	333,973	-
Total Health District	\$ 178,241	\$ 183,705	\$ 15,160	\$ 346,786	\$ 1,281

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

Job Development Authority

During the year ended December 31, 2020, the following changes occurred in governmental long-term liabilities of the Job Development Authority:

Job Development Authority	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Loans Payable	\$ 20,000	\$ -	\$ 13,829	\$ 6,171	\$ 6,171
Compensated Absences *	\$ 8,477	\$ -	\$ 3,298	\$ 5,179	\$ 518
Net Pension and OPEB Liability *	58,619	86,584	-	145,203	-
Total Job Development Authority	\$ 87,096	\$ 86,584	\$ 17,127	\$ 156,553	\$ 6,689

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

During 2019, the Job Development Authority entered into a \$40,000 line of credit agreement. As of the end of 2020, the Job Development Authority had used \$20,000 of the available \$40,000 and had paid back \$13,829. The unused portion of the line of credit at the end 2020 for the Job Development Authority was \$20,000.

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

Job Development Authority		
Year Ending Dec 31	Loans Payable	
	Principal	Interest
2021	\$ 6,171	\$ -
2022	-	-
Total	\$ 6,171	\$ -

Library

During the year ended December 31, 2020, the following changes occurred in governmental long-term liabilities of the Library:

Library	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 4,333	\$ 557	\$ -	\$ 4,890	\$ 489

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

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

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

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

CAVALIER COUNTY

Notes to the Financial Statements – Continued

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, 2020, the following net pension liabilities were reported:

	Net Pension Liability
Primary Government	\$ 9,557,047
Health District	325,550
Job Development Authority	141,540

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2020 the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2019 Measurement	Pension Expense
Primary Government	0.303782%	0.103636%	\$ 1,978,107
Health District	0.010348%	-0.001703%	53,915
Job Development Authority	0.004499%	-0.000202%	24,672

CAVALIER COUNTY

Notes to the Financial Statements – Continued

At December 31, 2020, the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were reported:

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 37,193	\$ 484,265
Changes in Assumptions	5,123,180	846,988
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	308,453	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	1,086,400	19,928
Contributions - Employer	124,492	-
Total Primary Government	\$ 6,679,718	\$ 1,351,181

Health District	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,266	\$ 16,496
Changes in Assumptions	174,516	28,852
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	10,507	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	3,407	14,501
Contributions - Employer	9,423	-
Total Health District	\$ 199,119	\$ 59,849

Job Development Authority	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 550	\$ 7,172
Changes in Assumptions	75,874	12,544
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	4,568	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	686	2,457
Contributions - Employer	3,313	-
Total Job Development Authority	\$ 84,991	\$ 22,173

The following amounts were reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021:

County	\$ 124,492
Health District	9,423
Job Development Authority	3,313

CAVALIER COUNTY

Notes to the Financial Statements – Continued

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

Year	County	Health District	Job Development Authority
2021	\$ 1,501,500	\$ 38,741	\$ 17,674
2022	1,342,985	34,058	15,496
2023	1,141,770	26,763	12,368
2024	1,217,790	30,285	13,967
2025	-	-	-

Actuarial Assumptions

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	7.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equities	30%	6.30%
International Equities	21%	6.85%
Private Equity	7%	9.75%
Domestic Fixed Income	23%	1.25%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.01%
Cash Equivalents	0%	0.00%

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.

CAVALIER COUNTY

Notes to the Financial Statements – Continued

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.45%; and the resulting Single Discount Rate is 4.64%.

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 4.64 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 (3.64 percent) or 1-percentage-point higher (5.64 percent) than the current rate:

Proportionate Share of the Net Pension Liability	1% Decrease (3.64%)	Current Discount Rate (4.64%)	1% Increase (5.64%)
County	\$ 12,399,551	\$ 9,557,047	\$ 7,231,186
Health District	422,377	325,550	246,322
Job Development Authority	183,637	141,540	107,094

Pension plan fiduciary net position.

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

NOTE 9 OPEB PLAN**General Information about the OPEB Plan*****North Dakota Public Employees Retirement System***

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

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

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

CAVALIER COUNTY

Notes to the Financial Statements – Continued

OPEB Benefits

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

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

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

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

At December 31, 2020, the following net OPEB liabilities were reported:

	Net OPEB Liability
County	\$ 247,280
Health District	8,423
Job Development Authority	3,663

The net OPEB liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net OPEB liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2020, the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2019 Measurements	OPEB Expense
County	0.293962%	0.107392%	\$ 48,378
Health District	0.010013%	-0.001220%	1,256
Job Development Authority	0.004354%	-0.000028%	531

CAVALIER COUNTY

Notes to the Financial Statements – Continued

At December 31, 2020, the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were reported:

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 5,492	\$ 5,929
Changes of Assumptions	33,156	-
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	8,504	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	58,160	1,120
Contributions - Employer	19,933	-
Total Primary Government	\$ 125,245	\$ 7,049

Health District	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 186	\$ 202
Changes of Assumptions	1,129	-
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	290	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	136	24
Contributions - Employer	1,509	-
Total Health District	\$ 3,250	\$ 226

Job Development Authority	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 82	\$ 88
Changes of Assumptions	491	-
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	126	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	27	55
Contributions - Employer	530	-
Total Job Development Authority	\$ 1,256	\$ 143

The following amounts were reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021:

County	\$ 19,933
Health District	1,509
Job Development Authority	530

CAVALIER COUNTY

Notes to the Financial Statements – Continued

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

Year	County	Health District	Job Development Authority
2021	\$ 20,753	\$ 313	\$ 122
2022	22,951	388	154
2023	22,547	376	148
2024	20,100	294	109
2025	11,522	132	45
2026	390	12	5
Thereafter	-	-	-

Actuarial assumptions

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

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, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	6.10%
Small Cap Domestic Equities	6%	7.00%
International Equities	21%	6.45%
Domestic Fixed Income	40%	1.15%

CAVALIER COUNTY

Notes to the Financial Statements – Continued

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50%. 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.

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, 2020, calculated using the discount rate of 6.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

Proportionate Share of the Net OPEB Liability	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
County	\$ 324,313	\$ 247,280	\$ 182,138
Health District	11,047	8,423	6,204
Job Development Authority	4,804	3,663	2,698

NOTE 10 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The County pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and automobile and \$2,609,858 for public assets (mobile equipment and portable property) for the County.

The County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The County pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the County with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage. The Water Resource District and Health District have \$191,756 and \$192,069, respectively, of blanket fidelity bond coverage.

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

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

NOTE 11 TRANSFERS

Transfers are used to move unrestricted general revenue to finance programs that the County accounts for in other funds in accordance with budget authority and to subsidize other programs.

CAVALIER COUNTY

Notes to the Financial Statements – Continued

NOTE 12 CONSTRUCTION COMMITMENTS

The County had an open construction commitment as of December 31, 2020 as follows:

County Project	Original Contract	Total Completed	Retainage	Remaining Balance	% Complete
Courthouse Front Door Project	\$ 41,066	\$ 26,777	\$ -	\$ 14,289	65.20%

NOTE 13 JOINT VENTURES

Under authorization of state statutes, the Cavalier County Water Resource District joined the water resource districts of Rolette County, Nelson County, Pierce County, Ramsey County, Benson County, Towner County and Walsh County to establish and operate a joint exercise of powers agreement for water management districts located within the Devils Lake basin. The joint agreement created Devils Lake Basin Joint Water Resource Board. The agreement was established for the mutual advantage of the governments. Each government appoints one member of the directors for the joint venture. The operating and capital expenses are funded by contributions from each government. Each government's share of assets, liabilities, and fund equity cannot be determined due to the lack of provisions being made for this in the joint power's agreement.

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

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

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

NOTE 14 CONDUIT DEBT

From time to time, the County has issued Community Development Block Grant Loans to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The loans are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the loans, ownership of the acquired facilities transfers to the private-sector entity served by the loan issuance. Neither the County, State, nor any political subdivision thereof is obligated in any manner for repayment of the loans. Accordingly, the loans are not reported as liabilities in the accompanying financial statements.

As of December 31, 2020, there was one series of Community Development Block Grant Loans outstanding, with an aggregate principal amount payable of \$84,306.

CAVALIER COUNTYBudgetary Comparison Schedule – General Fund
For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 1,846,223	\$ 1,846,223	\$ 1,885,950	\$ 39,727
Intergovernmental	727,939	727,939	976,039	248,100
Charges for Services	463,657	463,657	500,544	36,887
Licenses, Permits and Fees	900	900	13,030	12,130
Interest Income	80,000	80,000	126,648	46,648
Miscellaneous	33,000	33,000	137,537	104,537
Total Revenues	\$ 3,151,719	\$ 3,151,719	\$ 3,639,748	\$ 488,029
EXPENDITURES				
Current				
General Government	\$ 2,091,793	\$ 2,091,793	\$ 1,837,880	\$ 253,913
Public Safety	1,229,324	1,229,324	1,363,117	(133,793)
Health and Welfare	56,899	56,899	50,030	6,869
Other	27,000	27,000	27,500	(500)
Debt Service				
Principal	-	-	62,461	(62,461)
Interest & Service Charges	-	-	2,471	(2,471)
Total Expenditures	\$ 3,405,016	\$ 3,405,016	\$ 3,343,459	\$ 61,557
Excess (Deficiency) of Revenues Over Expenditures	\$ (253,297)	\$ (253,297)	\$ 296,289	\$ 549,586
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 85,177	\$ 85,177
Loan Proceeds	-	-	32,000	\$ 32,000
Transfers out	-	-	(80,702)	(80,702)
Total Other Financing Sources and Uses	\$ -	\$ -	\$ 36,475	\$ 36,475
Net Change in Fund Balances	\$ (253,297)	\$ (253,297)	\$ 332,764	\$ 586,061
Fund Balance - January 1	\$ 3,229,290	\$ 3,229,290	\$ 3,229,290	\$ -
Prior Period Adjustment	18,482	18,482	18,482	-
Fund Balance - January 1, as restated	\$ 3,247,772	\$ 3,247,772	\$ 3,247,772	\$ -
Fund Balance - December 31	\$ 2,994,475	\$ 2,994,475	\$ 3,580,536	\$ 586,061

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

CAVALIER COUNTY

Budgetary Comparison Schedule – Special Revenue Fund

For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 2,054,306	\$ 2,054,306	\$ 2,067,219	\$ 12,913
Intergovernmental	3,570,094	3,570,094	4,491,509	921,415
Charges for services	370,600	370,600	435,211	64,611
Miscellaneous	15,000	15,000	32,040	17,040
Total Revenues	\$ 6,010,000	\$ 6,010,000	\$ 7,025,979	\$ 1,015,979
EXPENDITURES				
Current				
General Government	\$ 10,000	\$ 10,030	\$ 14,270	\$ (4,240)
Public Safety	244,465	251,787	175,350	76,437
Highways & Bridges	2,512,306	2,512,837	1,808,767	704,070
Health & Welfare	2,945,348	3,141,756	3,144,053	(2,297)
Flood	-	208,817	208,817	-
Conservation of Natural Resources	403,104	403,104	273,817	129,287
Debt Service				
Principal	-	-	172,465	(172,465)
Interest	-	-	7,826	(7,826)
Total Expenditures	\$ 6,115,223	\$ 6,528,331	\$ 5,805,365	\$ 722,966
Excess (Deficiency) of Revenues Over Expenditures	\$ (105,223)	\$ (518,331)	\$ 1,220,614	\$ 1,738,945
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,462,356	1,462,356
Transfers out	-	-	(1,466,831)	(1,466,831)
Total Other Financing Sources and Uses	\$ -	\$ -	\$ (4,475)	\$ (4,475)
Net Change in Fund Balances	\$ (105,223)	\$ (518,331)	\$ 1,216,139	\$ 1,734,470
Fund Balances - January 1	\$ 3,010,477	\$ 3,010,477	\$ 3,010,477	\$ -
Fund Balances - December 31	\$ 2,905,254	\$ 2,492,146	\$ 4,226,616	\$ 1,734,470

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

CAVALIER COUNTY

Schedule of Employer's Share of Net Pension Liability and Employer Contributions
For the Year Ended December 31, 2020

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

COUNTY	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.303782%	\$ 9,557,047	\$ 3,351,077	285.19%	48.91%
2019	0.200146%	2,345,856	2,081,858	112.68%	71.66%
2018	0.195599%	3,300,946	2,009,422	164.27%	62.80%
2017	0.197433%	3,173,396	2,015,477	157.45%	61.98%
2016	0.191985%	1,871,081	1,934,759	96.71%	70.46%
2015	0.203720%	1,385,261	1,814,902	76.33%	77.15%
2014	0.195652%	1,241,845	1,648,126	75.35%	77.70%

HEALTH	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.010348%	\$ 325,550	\$ 114,147	285.20%	48.91%
2019	0.012051%	141,246	125,346	112.68%	71.66%
2018	0.011818%	199,442	121,410	164.27%	62.80%
2017	0.011507%	184,955	117,468	157.45%	61.98%
2016	0.011189%	109,048	112,758	96.71%	70.46%
2015	0.012405%	84,352	110,511	76.33%	77.15%
2014	0.012858%	81,612	108,312	75.35%	77.70%

JDA	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.004499%	\$ 141,540	\$ 49,632	285.18%	48.91%
2019	0.004701%	55,099	48,900	112.68%	71.66%
2018	0.004690%	79,149	48,186	164.26%	62.80%
2017	0.004578%	73,583	46,734	157.45%	61.98%
2016	0.004465%	43,516	45,000	96.70%	70.46%
2015	0.004849%	32,972	43,200	76.32%	77.15%
2014	0.004737%	30,067	39,900	75.36%	77.70%

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

CAVALIER COUNTY

Schedule of Employer's Share of Net Pension Liability and Employer Contributions – Continued
 For the Year Ended December 31, 2020

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

COUNTY	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 237,286	\$ 199,080	\$ 38,206	\$ 3,479,365	5.72%
2019	151,571	150,013	1,558	2,081,858	7.21%
2018	148,003	149,496	(1,493)	2,009,422	7.44%
2017	146,147	144,410	1,737	2,015,477	7.17%
2016	140,073	139,245	828	1,934,759	7.20%
2015	137,856	131,433	6,423	1,814,902	7.24%
2014	117,347	117,347	-	1,648,126	7.12%

HEALTH	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 8,083	\$ 13,580	\$ (5,497)	\$ 141,840	9.57%
2019	9,126	8,924	202	125,346	7.12%
2018	8,942	8,644	298	121,410	7.12%
2017	8,518	8,364	154	117,468	7.12%
2016	8,164	8,680	(516)	112,758	7.70%
2015	8,394	7,868	526	110,511	7.12%
2014	7,712	7,712	-	108,312	7.12%

JDA	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 3,514	\$ 3,534	\$ (20)	\$ 50,368	7.02%
2019	3,560	3,482	78	48,900	7.12%
2018	3,549	3,431	118	48,186	7.12%
2017	3,389	3,328	61	46,734	7.12%
2016	3,258	3,465	(207)	45,000	7.70%
2015	3,281	3,076	205	43,200	7.12%
2014	2,841	2,841	-	39,900	7.12%

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

CAVALIER COUNTY

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions
For the Year Ended December 31, 2020

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

COUNTY	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2020	0.293962%	\$ 247,280	\$ 3,351,077	7.38%	63.38%
2019	0.186570%	149,851	2,081,858	7.20%	63.13%
2018	0.183640%	144,629	2,009,422	7.20%	61.89%
2017	0.186301%	147,366	2,015,477	7.31%	59.78%

HEALTH	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2020	0.010013%	\$ 8,423	\$ 114,147	7.38%	63.38%
2019	0.011233%	9,022	125,346	7.20%	63.13%
2018	0.011096%	8,739	121,410	7.20%	61.89%
2017	0.010858%	8,589	117,468	7.31%	59.78%

JDA	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2020	0.004354%	\$ 3,663	\$ 49,632	7.38%	63.38%
2019	0.004382%	3,520	48,900	7.20%	63.13%
2018	0.004404%	3,468	48,186	7.20%	61.89%
2017	0.004320%	3,417	46,734	7.31%	59.78%

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

CAVALIER COUNTY

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions – Continued
 For the Year Ended December 31, 2020

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

COUNTY	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 39,368	\$ 31,875	\$ 7,493	\$ 3,479,365	0.92%
2019	24,212	24,019	193	2,081,858	1.15%
2018	23,569	23,936	(367)	2,009,422	1.19%
2017	23,429	23,122	46,551	2,015,477	1.15%

HEALTH	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	County's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 1,341	\$ 2,192	\$ (851)	\$ 141,840	1.55%
2019	1,458	1,429	29	125,346	1.14%
2018	1,424	1,384	40	121,410	1.14%
2017	1,365	1,339	26	117,468	1.14%

JDA	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 583	\$ 566	\$ 17	\$ 50,368	1.12%
2019	569	558	11	48,900	1.14%
2018	565	549	16	48,186	1.14%
2017	543	533	10	46,734	1.14%

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

CAVALIER COUNTY

Notes to the Required Supplementary Information
For the Year Ended December 31, 2020

NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**Budgetary Information**

- The County Commission adopts an appropriated budget on a basis consistent with accounting principles generally accepted in the United States (GAAP).
- The County Auditor prepares an annual budget for the general fund and each special revenue fund of the County. N.D.C.C. 11-23-02. The budget includes proposed expenditures and means of financing them.
- The County Commission holds a public hearing where any taxpayer may appear and shall be heard in favor of or against any proposed disbursements or tax levies. When the hearing shall have been concluded, the board shall adopt such estimate as finally is determined upon. All taxes shall be levied in specific amounts and shall not exceed the amount specified in the published estimates. N.D.C.C. 11-23-04
- The board of County Commissioners, on or before the October meeting shall determine the amount of taxes that shall be levied for County purposes and shall levy all such taxes in specific amounts. N.D.C.C. 11-23-05
- Each budget is controlled by the County Auditor at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared. N.D.C.C. 57-15-31.1
- All appropriations lapse at year-end.

NOTE 2 SCHEDULE OF EMPLOYER PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

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

NOTE 3: CHANGES OF BENEFIT TERMS – PENSION AND OPEB**Pension**

The interest rate earned on member contributions will decrease from 7.00 percent to 6.50 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, 2019.

OPEB

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

CAVALIER COUNTYNotes to the Required Supplementary Information - Continued

NOTE 4: CHANGES OF ASSUMPTIONS – PENSION AND OPEB**Pension**

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

- The investment return assumption was lowered from 7.5% to 7.0%
- The assumed rate of price inflation was lowered from 2.5 to 2.25 percent for the July 1, 2020 valuation
- The assumed rate of total payroll growth was updated for the July 1, 2020 valuation
- Mortality table updates were made for the July 1, 2020 valuation

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

OPEB

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.25% to 6.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

NOTE 5 LEGAL COMPLIANCE - BUDGETS

The board of County commissioners amended the budget for 2020 as follows:

	EXPENDITURES		
	Original Budget	Budget Amendment	Amended Budget
Major Funds			
Special Revenue	6,115,223	413,108	6,528,331

CAVALIER COUNTY

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2020

CFDA Number	Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF JUSTICE			
Passed Through Department of Health			
16.588	Violence Against Women Formula Grant	HLH4127	\$ 9,616
16.034	Coronavirus Emergency Supplemental Funding Program	N/A	<u>4,968</u>
Total U.S. Department of Justice			<u>\$ 14,584</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through State Department of Emergency Services			
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	N/A	\$ 10,740
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	DR4323	184,250
97.042	Emergency Management Performance Grants	EMPG2017	31,210
97.067	Homeland Security Grant	HLS2016	<u>132,021</u>
Total U.S. Department of Homeland Security			<u>\$ 358,221</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)			
Passed Through State Department of Commerce			
14.228	Community Development Block Grants	N/A	<u>\$ 11,650</u>
Total U.S. Department of Commerce			<u>\$ 11,650</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through the State Department of Human Services			
93.778	Medical Assistance Program	N/A	<u>\$ 21,507</u>
Total U.S. Dept. of Health and Human Services			<u>\$ 21,507</u>
U.S. DEPARTMENT OF THE TREASURY			
Passed Through the State Treasurer Department			
21.019	Coronavirus Relief Fund	N/A	<u>\$ 427,834</u>
Total U.S. Dept. of the Treasury			<u>\$ 427,834</u>
Total Expenditures of Federal Awards			<u><u>\$ 833,796</u></u>

CAVALIER COUNTY

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

NOTE 1 BASIS OF PRESENTATION / ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County under programs of the federal government for the year ended December 31, 2020. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position or changes in net position of the County. Expenditures represent only the federally funded portions of the program. County records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 PASS-THROUGH GRANT NUMBER

For Federal programs marked "N/A", the County was unable to obtain a pass-through grant number.

NOTE 4 INDIRECT COST RATE

The County has not elected to use the 10-percent de minimis cost rate as allowed under Uniform Guidance



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

Independent Auditor's Report

Board of County Commissioners
Cavalier County
Langdon, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cavalier County as of and for the years ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Cavalier County's basic financial statements, and have issued our report thereon dated September 10, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying *schedule of audit findings* as items 2020-001 through 2020-004 that we consider to be material weaknesses.

CAVALIER COUNTY

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cavalier County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *summary of auditor's findings* as item 2020-001.

Cavalier County's Response to Findings

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

Purpose of this Report

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
September 10, 2021



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

Board of County Commissioners
Cavalier County
Langdon, North Dakota

Report on Compliance for Each Major Federal Program

We have audited Cavalier County's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on Cavalier County's major federal program for the year ended December 31, 2020. Cavalier County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Cavalier County's compliance.

Opinion on Each Major Federal Program

In our opinion, Cavalier County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

CAVALIER COUNTY

Report on Compliance for Each Major Federal Programs; and Report on Internal Control Over Compliance - Continued

Report on Internal Control Over Compliance

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

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

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

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
September 10, 2021

CAVALIER COUNTY

Summary of Auditor's Results

For the Year Ended December 31, 2020

Financial Statements

Type of Report Issued:

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

Internal control over financial reportingMaterial weaknesses identified? X Yes None NotedSignificant deficiencies identified not considered
to be material weaknesses? Yes X None NotedNoncompliance material to financial statements
noted? X Yes None Noted**Federal Awards**Internal Control Over Major ProgramsMaterial weaknesses identified? Yes X None notedReportable conditions identified not considered to be material
weaknesses? Yes X None noted

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in
accordance with CFR §200.516 (Uniform Guidance) requirements? Yes X None noted**Identification of Major Programs**

CFDA Number

Name of Federal Program or Cluster

CFDA 21.019

Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and B programs: \$ 750,000 Auditee qualified as low-risk auditee? Yes X No

CAVALIER COUNTY**Schedule of Audit Findings and Questioned Costs
For the Year Ended December 31, 2020**

2020-001 BUDGET PREPARATION – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE**Condition**

Cavalier County did not prepare a budget in compliance with all attributes of N.D.C.C. §11-23-02. In addition, Cavalier County did not have supporting documentation for cash reserves and certain elements of the 2020 general fund and road and bridge fund budgets.

Criteria

N.D.C.C. §11-23-02 states, " The county auditor shall prepare an annual budget for the general fund, each special revenue fund, and each debt service fund of the county in the form prescribed by the state auditor. The budget must set forth specifically:

1. The detailed breakdown of the estimated revenues and appropriations requested for each fund for the ensuing year.
2. The detailed breakdown of the revenues and expenditures for each fund for the preceding year.
3. The detailed breakdown of estimated revenues and expenditures for each fund for the current year.
4. The transfers in or out for each fund for the preceding year and the estimated transfers in or out for the current year and the ensuing year.
5. The beginning and ending balance of each fund or estimates of the balances for the preceding year, current year, and ensuing year.
6. The tax levy request for any funds levying taxes for the ensuing year.
7. The certificate of levy showing the amount levied for each fund and the total amount levied.
8. The budget must be prepared on the same basis of accounting used by the county for its annual financial reports.
9. The amount of cash reserve for the general fund and each special revenue fund, not to exceed seventy-five percent of the appropriation for the fund.

Cause

Cavalier County may not have been aware of the requirements of NDCC 11-23-02. In addition, Cavalier County did not have a process for calculating the cash reserves for each fund or maintaining support for certain budgeted amounts.

Effect

The attributes identified in N.D.C.C. §11-23-02 and cash reserve estimates are key components in the tax levy calculation in any budget year. Thus, Cavalier County may have improperly calculated the tax levies.

Repeat Finding

No

Recommendation

We recommend Cavalier County:

- Ensure its compliance with all aspects of N.D.C.C. §11-23-02 and resolve any current circumstances if deemed appropriate by management.
- Maintain appropriate support for cash reserves used in the calculation of the budget.
- Maintain appropriate support documentation for specific items within the General Fund and Road and Bridge Fund budgets.

Cavalier County's Response

See Corrective Action Plan

CAVALIER COUNTYSchedule of Audit Findings and Questioned Costs – Continued

2020-002 LACK OF SEGREGATION OF DUTIES – COMPONENT UNITS – MATERIAL WEAKNESS**Condition**

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

Criteria

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

Cause

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

Effect

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

Repeat Finding

Yes.

Recommendation

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

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

Cavalier County's Response

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

CAVALIER COUNTYSchedule of Audit Findings and Questioned Costs – Continued

2020-003 IMPROPER PAYABLE RECORDING– WATER RESOURCE DISTRICT – MATERIAL WEAKNESS**Condition**

The Cavalier County Water Resource District improperly recorded \$20,273 of negative accounts payable on the Balance Sheet.

Criteria

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

Cause

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

Effect

The financial statements may have been materially misstated without the proposed audit adjustments. Furthermore, 2020 expenditures would have been understated by \$20,273.

Repeat Finding

Yes.

Recommendation

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

Cavalier County Water Resource District's Response

Agree. The Cavalier County Water Board will make sure that all expenses are inputted correctly so that is does not record negative amounts in the accounts payables.

CAVALIER COUNTYSchedule of Audit Findings and Questioned Costs – Continued

2020-004 IMPROPER BANK RECONCILIATIONS– WATER RESOURCE DISTRICT – MATERIAL WEAKNESS**Condition**

The Cavalier County Water Resource District's bank reconciliation presented a net difference of \$44,607 as of December 31, 2020 in comparison to its balance sheet.

Criteria

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

Cause

The Cavalier County Water Resource District's bank reconciliation register balance did not agree to the balance sheet due to including two cleared transactions in the amounts of \$11,351 and \$33,256 as outstanding deposits on the December 2020 bank reconciliation.

Effect

The financial statements may have been materially misstated without the proposed audit adjustments. Furthermore, the 2020 cash balance would have been overstated by \$44,607.

Repeat Finding

Yes.

Recommendation

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

Cavalier County Water Resource District's Response

Agree. The bank reconciliations will be handled in a matter so that there is not a net difference compared to the balance sheet.

CAVALIER COUNTY, NORTH DAKOTA

Office of Auditor

901 Third Street - Suite 15
Langdon, ND 58249
(701) 256-2229
(701) 256-2546 (fax)

Lisa Gellner – Auditor
Frankie Stremick – Deputy Auditor

Commissioners

Austin Lafrenz
Greg Goodman
Stanley Dick
David Zeis
Nick Moser

Date: August 31, 2021
To: Joshua C. Gallion, ND State Auditor
FROM: Lisa Gellner, Cavalier County Auditor
RE: Cavalier County 2020 Corrective Action Plan

Contact Person Responsible for Corrective Action Plan: Lisa Gellner, Cavalier County Auditor

Section I – Financial Statement Findings:

2020-001 BUDGET PREPARATION – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE

Condition:

Cavalier County did not prepare a budget in compliance with all attributes of N.D.C.C. §11-23-02. In addition, Cavalier County did not have supporting documentation for cash reserves and certain elements of the 2020 general fund and road and bridge fund budgets.

Corrective Action Plan: Additional detail has been added to current budget file to include estimated cash on hand/cash reserves. Budget format provided by the State Auditor is also being implemented with the 2022 budget.

Anticipated Completion Date: 9/30/2021 (2022 Budget)

CAVALIER COUNTY, NORTH DAKOTA

Office of Auditor

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Lisa Gellner – Auditor
Frankie Stremick – Deputy Auditor

Commissioners

Austin Lafrenz
Greg Goodman
Stanley Dick
David Zeis
Nick Moser

Date: August 17, 2021
To: Joshua C. Gallion, ND State Auditor
FROM: Lisa Gellner, County Auditor
RE: Cavalier County– FY2020 Schedule of Prior Year Findings

2019-001 FINANCIAL STATEMENT PREPARATION – MATERIAL WEAKNESS

Condition

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

Recommendation

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

Current Status

The county continues to fill in a large amount of financial data in an Excel file for the audit. Documentation for various adjusting entries is provided to the state auditors to meet all requirements. County staff has continued to work with state auditors and expand preparing various reports required.

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

Condition

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

Recommendation

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

Current Status

The county no longer makes purchases through Sourcwell. If state bids are not used for purchases, the county advertises in the county newspaper for bids.

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GOVERNANCE COMMUNICATION

Board of County Commissioners
Cavalier County
Langdon, North Dakota

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cavalier County, North Dakota, for the year ended December 31, 2020 which collectively comprise Cavalier County's basic financial statements, and have issued our report thereon dated September 10, 2021. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in The United States of America, Government Auditing Standards and by the Uniform Guidance

As stated in our engagement letter dated July 14, 2021, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

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

As part of obtaining reasonable assurance about whether Cavalier County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

Significant Accounting Policies/Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Cavalier County are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2020. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

CAVALIER COUNTYGovernance Communication – Continued

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

Corrected and Uncorrected Misstatements

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

	Audit Adjustments	
	<u>Debit</u>	<u>Credit</u>
PUBLIC HEALTH UNIT		
<u>To record audit receivable</u>		
Revenue	15,201	
Intergovernmental Receivable		15,201
WATER RESOURCE DISTRICT		
<u>To record cash adjustment</u>		
Revenue	33,256	
Cash		33,256

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 10, 2021.

Management Consultations with Other Independent Accountants

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

Difficulties Encountered in Performing the Audit

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

CAVALIER COUNTY

Governance Communication – Continued

Other Audit Findings or Issues

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

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

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
September 10, 2021



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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