



# NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

## Pembina County

Cavalier, North Dakota

Audit Report for the Year Ended December 31, 2020

*Client Code: PS34000*



Photo credit: North Dakota Tourism



Office of the  
State Auditor



## WHAT WE LOOKED AT

Our team reviewed Pembina County's financial statements and compliance with state laws and applicable federal regulations.

## WHAT WE FOUND



### **Missing Documentation for General Fund Budget**

Pembina County was missing supporting documentation for the estimated cash amount for the 2020 General Fund budget.

This impacts calculations  
for tax levies.

*Read more on page 43*



### **Incorrect Recording of Capital Assets**

Capital assets were recorded incorrectly in 2019 and 2020. An adjustment of nearly half a million dollars was needed to increase the ending net capital assets for 2020.

*Read more on page 45*

# PEMBINA COUNTY

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For the Year Ended December 31, 2020

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**PEMBINA COUNTY**

County Officials and Audit Personnel

December 31, 2020

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**COUNTY OFFICIALS**

Hugh Ralston	Chairperson
Laverne Doyle	Vice-Chairperson
James Benjaminson	Commissioner
Nick Rutherford	Commissioner
Hetty Walker	Commissioner
Linda Schlittenhard	Auditor/Treasurer/Supt. Of Schools
Kay Braget	Clerk of Court/Recorder
Terry Meidinger	Sheriff
Rebecca Flanders	State's Attorney
Mikka Willits	Tax Director
Samantha Weeks	E-911/IT/GIS Coordinator
Revel Sapa	Veterans Services Officer
Jill Denault	Human Service Zone Director
Julie Hardy	Public Health Administrator
Kari Helgoe	County Extension Agent

**AUDIT PERSONNEL**

Heath Erickson, CPA	Audit Manager
Peishan Merrick	Audit In-Charge

STATE AUDITOR  
Joshua C. Gallion



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STATE CAPITOL  
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## INDEPENDENT AUDITOR'S REPORT

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Board of County Commissioners  
Pembina County  
Cavalier, North Dakota

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

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Pembina County, North Dakota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Pembina 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, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Pembina 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 Matter***

As discussed in Note 2 to the financial statements, the 2019 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 Pembina County's basic financial statements. 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* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2021 on our consideration of Pembina County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pembina County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
July 27, 2021

**PEMBINA COUNTY**  
Statement of Net Position  
December 31, 2020

	Primary Government	Component Units	
	Governmental Activities	Water Resource District	Job Development Authority
<b>ASSETS</b>			
Cash and Investments	\$ 4,494,522	\$ 2,125,187	\$ 109,780
Intergovernmental Receivable	378,077	1,934	1,934
Accounts Receivable	84,016	-	-
Special Assessments Receivable	-	63,400	-
Road Accounts Receivable	48,585	-	-
Taxes Receivable	145,623	8,197	4,277
Loans Receivable	-	-	403,452
Capital Assets			
Nondepreciable	3,290,065	426,811	-
Depreciable, Net	9,342,782	14,777,250	-
<b>Total Assets</b>	<b>\$ 17,783,670</b>	<b>\$ 17,402,779</b>	<b>\$ 519,443</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions & OPEB	\$ 4,020,969	\$ 88,322	\$ -
<b>LIABILITIES</b>			
Accounts Payable	\$ 66,250	\$ 99,485	\$ -
Salaries Payable	24,646	6,287	-
Interest Payable	-	85,027	-
Grants Received in Advance	81,540	-	-
Retainage Payable	53,376	10,037	-
Long-Term Liabilities			
Due Within One Year			
Long-Term Debt	-	389,097	-
Compensated Absences Payable	16,192	715	-
Due After One Year			
Long-Term Debt	-	3,933,821	-
Compensated Absences Payable	145,725	6,435	-
Net Pension and OPEB Liability	6,754,730	148,403	-
<b>Total Liabilities</b>	<b>\$ 7,142,459</b>	<b>\$ 4,679,307</b>	<b>\$ -</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions & OPEB	\$ 1,663,361	\$ 36,545	\$ -
<b>Total Deferred Inflows of Resources</b>	<b>\$ 1,663,361</b>	<b>\$ 36,545</b>	<b>\$ -</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 12,579,471	\$ 10,786,079	\$ -
Restricted			
Highways and Bridges	299,304	-	-
Conservation of Natural Resources	22,165	-	-
Emergencies	553,612	-	-
Economic Development	-	-	115,991
Loans	-	-	403,452
General Government & Other Purposes	10,916	-	-
Unrestricted	(466,649)	1,989,170	-
<b>Total Net Position</b>	<b>\$ 12,998,819</b>	<b>\$ 12,775,249</b>	<b>\$ 519,443</b>

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



**PEMBINA COUNTY**  
Statement of Activities  
For the Year Ended December 31, 2020

					Net (Expense) Revenue and Changes in Net Position		
		Program Revenues			Primary Government	Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Water Resource District	Job Development Authority
<b>Primary Government</b>							
Governmental Activities							
General Government	\$ 2,733,464	\$ 159,422	\$ -	\$ -	\$ (2,574,042)		
Public Safety	1,986,735	509,584	101,241	-	(1,375,910)		
Health and Welfare	829,518	84,675	159,508	-	(585,335)		
Economic Development	23,000	-	-	-	(23,000)		
Highways	2,108,531	157,337	822,760	1,386,164	257,730		
Flood Repair	19,849	-	19,839	-	(10)		
Conserv. of Natural Resources	357,851	13,194	550	-	(344,107)		
Emergency	1,088	-	-	-	(1,088)		
Total Primary Government	\$ 8,060,036	\$ 924,212	\$ 1,103,898	\$ 1,386,164	\$ (4,645,762)		
<b>Component Units</b>							
Water Resource District	\$ 3,916,021	\$ -	\$ 1,316,574	\$ 302,530		\$ (2,296,917)	\$ -
Job Development Authority	131,371	797	-	-		-	(130,574)
Total Component Units	\$ 4,047,392	\$ 797	\$ 1,316,574	\$ 302,530		\$ (2,296,917)	\$ (130,574)
<b>General Revenues</b>							
Property Taxes					\$ 4,243,799	\$ 1,548,745	\$ 125,737
Nonrestricted Grants and Contributions					1,417,486	8,197	8,095
Unrestricted Investment Earnings					52,811	14,322	1,646
Net Loss on Sale of Capital Assets					(61,873)	-	-
Miscellaneous Revenue					347,823	5,783	-
Total General Revenues					\$ 6,000,046	\$ 1,577,047	\$ 135,478
Change in Net Position					\$ 1,354,284	\$ (719,870)	\$ 4,904
Net Position - January 1					\$ 11,433,937	\$ 12,998,081	\$ 506,076
Prior Period Adjustment					\$ 210,598	\$ 497,038	\$ 8,463
Net Position - January 1, as restated					\$ 11,644,535	\$ 13,495,119	\$ 514,539
Net Position - December 31					\$ 12,998,819	\$ 12,775,249	\$ 519,443

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



**PEMBINA COUNTY**

## Balance Sheet – Governmental Funds

December 31, 2020

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments	\$ 2,376,711	\$ 2,117,811	\$ 4,494,522
Intergovernmental Receivable	257,673	120,404	378,077
Accounts Receivable	79,910	4,106	84,016
Road Receivable	-	48,585	48,585
Taxes Receivable	108,581	37,042	145,623
Total Assets	<u>\$ 2,822,875</u>	<u>\$ 2,327,948</u>	<u>\$ 5,150,823</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Accounts Payable	\$ 28,805	\$ 37,445	\$ 66,250
Salaries Payable	235	24,411	24,646
Grants Received in Advance	-	81,540	81,540
Total Liabilities	<u>\$ 29,040</u>	<u>\$ 143,396</u>	<u>\$ 172,436</u>
Deferred Inflows of Resources			
Road Receivable	\$ -	\$ 48,585	\$ 48,585
Taxes Receivable	108,581	37,042	145,623
Total Deferred Inflows of Resources	<u>\$ 108,581</u>	<u>\$ 85,627</u>	<u>\$ 194,208</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 137,621</u>	<u>\$ 229,023</u>	<u>\$ 366,644</u>
Fund Balances			
Restricted			
Highways and Bridges	\$ -	\$ 1,247,336	\$ 1,247,336
Health and Welfare	-	108,958	108,958
Public Safety	-	77,653	77,653
Conservation of Natural Resources	-	101,746	101,746
Emergencies	-	552,316	552,316
General Government	-	10,916	10,916
Unassigned	2,685,254	-	2,685,254
Total Fund Balances	<u>\$ 2,685,254</u>	<u>\$ 2,098,925</u>	<u>\$ 4,784,179</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,822,875</u>	<u>\$ 2,327,948</u>	<u>\$ 5,150,823</u>

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

**PEMBINA COUNTY**

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

December 31, 2020

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**Total Fund Balances of Governmental Funds**

\$ 4,784,179

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, therefore, are not reported in the governmental funds.

12,632,847

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

\$ 145,623

Road Accounts Receivable

48,585

194,208

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 Derived From Pensions and OPEB

\$ 4,020,969

Deferred Inflows Derived From Pensions and OPEB

(1,663,361)

2,357,608

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.

Retainage Payable

\$ (53,376)

Compensated Absences Payable

(161,917)

Net Pension and OPEB Liability

(6,754,730)(6,970,023)**Net Position of Governmental Activities**\$ 12,998,819

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

**PEMBINA COUNTY**Statement 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
<b>REVENUES</b>			
Taxes	\$ 3,147,525	\$ 1,083,538	\$ 4,231,063
Intergovernmental	1,512,508	1,008,877	2,521,385
Charges for Services	712,861	202,469	915,330
Licenses, Permits and Fees	7,300	-	7,300
Interest Income	52,811	-	52,811
Miscellaneous	267,025	80,797	347,822
Total Revenues	\$ 5,700,030	\$ 2,375,681	\$ 8,075,711
<b>EXPENDITURES</b>			
Current			
General Government	\$ 2,499,442	\$ -	\$ 2,499,442
Public Safety	1,490,405	114,644	1,605,049
Health and Welfare	454,957	345,767	800,724
Economic Development	23,000	-	23,000
Highways	-	2,259,383	2,259,383
Flood Repair	-	19,849	19,849
Conserv. of Natural Resources	-	340,702	340,702
Emergency	-	1,088	1,088
Total Expenditures	\$ 4,467,804	\$ 3,081,433	\$ 7,549,237
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,232,226	\$ (705,752)	\$ 526,474
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	\$ 51,118	\$ -	\$ 51,118
Transfers Out	(50,307)	(811)	(51,118)
Total Other Financing Sources and Uses	\$ 811	\$ (811)	\$ -
Net Change in Fund Balances	\$ 1,233,037	\$ (706,563)	\$ 526,474
Fund Balances - January 1	\$ 1,401,910	\$ 2,805,488	\$ 4,207,398
Prior Period Adjustment	\$ 50,307	\$ -	\$ 50,307
Fund Balance - Jan. 1 as restated	\$ 1,452,217	\$ 2,805,488	\$ 4,257,705
Fund Balances - December 31	\$ 2,685,254	\$ 2,098,925	\$ 4,784,179

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

**PEMBINA 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

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**Net Change in Fund Balances - Total Governmental Funds** **\$ 526,474**

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	\$ 802,410	
Capital Contributions	1,386,164	
Depreciation Expense	<u>(458,939)</u>	1,729,635

In the statement of activities only the loss on sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources.

Loss on Sale of Capital Assets		(61,873)
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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.

Net Change in Retainage Payable	\$ (49,021)	
Net Change in Compensated Absences	<u>3,062</u>	(45,959)

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.

Net Change in Taxes Receivable	\$ 12,736	
Net Change in Road Accounts Receivable	<u>1,582</u>	14,318

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.

Net Change in Net Pension and OPEB Liability	\$ (3,333,367)	
Net Change in Deferred Outflows of Resources Related to Pensions and OPEB	2,449,958	
Net Change in Deferred Inflows of Resources Related to Pensions and OPEB	<u>75,098</u>	<u>(808,311)</u>

**Change in Net Position of Governmental Activities** **\$ 1,354,284**

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

**PEMBINA COUNTY**

## Statement of Fiduciary Net Position – Fiduciary Funds

December 31, 2020

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	Custodial Funds
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 4,053,801</u>
<b>LIABILITIES &amp; DERRERED INFLOWS OF RESOURCES</b>	
Liabilities	
Funds Held for Other Governmental Units	\$ 40,514
Funds Held for Other Purposes	<u>15,014</u>
Total Liabilities	<u>\$ 55,528</u>
Deferred Inflows of Resources	
Taxes Received in Advance	<u>\$ 3,998,273</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 4,053,801</u>

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

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

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	Custodial Funds
<b>ADDITIONS</b>	
Tax Collections for Other Governments	\$ 15,085,521
Grant Collections for Other Governments	280,112
Miscellaneous Collections	<u>88,737</u>
Total Additions	<u><u>\$ 15,454,370</u></u>
<b>DEDUCTIONS</b>	
Tax Disbursements to Other Governments	\$ 15,085,521
Grant Disbursements to Other Governments	280,112
Miscellaneous Disbursements	<u>88,737</u>
Total Deductions	<u><u>\$ 15,454,370</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.

## PEMBINA COUNTY

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

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Pembina County ("County") 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 criteria 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 two component units to be included within the County as a reporting entity.

#### Component Units

In conformity with accounting principles generally accepted in the United States of America, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

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

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

Pembina County Job Development Authority ("Job Development Authority") - The County's governing board appoints a voting majority of the members of the Job Development Authority. The County's governing body has the authority to approve or modify the Job Development Authority's operational and capital budgets. The County also must approve the tax levy established by the Job Development Authority.

Component Unit Financial Statements. The financial statements of each of the discretely presented component units are included in the basic financial statements. Complete financial statements of the individual component units can be obtained from the County Auditor/Treasurer; 301 Dakota Street West, Cavalier, ND 58220

#### 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.

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.



## PEMBINA COUNTY

### Notes to the Financial Statements – Continued

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*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 agency funds are used to account for property taxes collected on behalf of other governments.

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

*Government-Wide and Fiduciary Fund Financial Statements.* The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of 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.

### **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.

**PEMBINA COUNTY**Notes to the Financial Statements – Continued

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**Capital Assets**

Capital assets for the County and Water Resource District 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 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.

Capital assets are depreciated using the straight-line method over the following estimated useful lives (amounts in years):

<b>Assets</b>	<b>County</b>	<b>Water Resource District</b>
Buildings	40	-
Machinery & Equipment	5-15	5-7
Vehicles	3-5	-
Office Equipment	3-5	-
Infrastructure	40	20

**Compensated Absences**

Vacation leave is earned at the rate of one to two days per month depending on years of service. Up to 240 hours of vacation leave may be carried over at each year-end. Upon termination vacation benefits that have accrued through the last day of work will be paid. A liability for the vested or accumulated vacation leave is reported in the statement of net position.

Sick leave benefits are earned at the rate of one day per month regardless of the years of service. An unlimited number of sick leave hours may be carried over at each year-end. Sick leave benefits are not paid out upon termination.

**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.

**PEMBINA COUNTY**Notes to the Financial Statements – Continued

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**Fund Balances**

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

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

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

**Net Position**

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

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

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

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

**Interfund Transactions**

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

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

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

**NOTE 2 PRIOR PERIOD ADJUSTMENTS**

Net position of the County as of January 1, 2020 has been restated for the fund reclassifications due to the GASB 84 implementation and net capital asset adjustments as shown below. The results of the adjustment increased the beginning net position of the County and the Beginning Fund Balance for the General Fund.

<b>Governmental Activities</b>	<b>Amounts</b>
Beginning Net Position, as Previously Reported	\$ 11,433,937
Prior Period Adjustments	
Reclassification of Funds	50,307
Capital Assets, Net	160,291
Net Position, January 1, Restated	<u>\$ 11,644,535</u>

<b>General Fund</b>	<b>Amounts</b>
Beginning Fund Balance, as Previously Reported	\$ 1,401,910
Prior Period Adjustments	
Reclassification of Funds	50,307
Fund Balance, January 1, Restated	<u>\$ 1,452,217</u>

**PEMBINA COUNTY**

## Notes to the Financial Statements – Continued

**Discretely Presented Component Units**

Net position of the Water Resource District as of January 1, 2020 has been restated for a capital asset adjustment and a special assessment receivable adjustment as shown below. The results of the adjustment increased the beginning net position of the Water Resource District.

<b>Water Resource District</b>	<b>Amounts</b>
Beginning Net Position, as Previously Reported	\$ 12,998,081
Prior Period Adjustments	
Special Assessment Receivable	43,998
Capital Assets, Net	453,040
Net Position, January 1, Restated	\$ 13,495,119

Net position of the Job Development Authority as of January 1, 2020 has been restated for a loan receivable adjustment as shown below. The results of the adjustment increased the beginning net position of the Job Development Authority.

<b>Job Development Authority</b>	<b>Amounts</b>
Beginning Net Position, as Previously Reported	\$ 506,076
Prior Period Adjustments	
Loans Receivable	8,463
Net Position, January 1, Restated	\$ 514,539

**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.

At December 31, 2020, the County's carrying amount of deposits was \$8,048,946 and the bank balances were \$8,116,970. Of the bank balances, \$1,250,000 was covered by Federal Depository Insurance, \$1,720,906 were held at the Bank of North Dakota, which is backed by the full faith of the State of North Dakota, while the remaining balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2020, the Water Resource District's carrying amount of deposits was \$2,125,187 and the bank balances were \$2,315,377. Of the bank balances, \$475,210 was covered by Federal Depository Insurance, while the remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

**PEMBINA COUNTY**

## Notes to the Financial Statements – Continued

**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**

The Job Development Authority provides loans to businesses for either startup costs or expansion costs. The Job Development Authority had the following loans receivable activity for the year ended December 31, 2020.

	<b>Bal. Jan 1 Restated</b>	<b>New Loans</b>	<b>Principal Payments</b>	<b>Balance Dec 31</b>
Loans Receivable	\$ 402,845	\$ 32,829	\$ 32,222	\$ 403,452

**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:

<b>Primary Government</b>	<b>Bal. Jan 1 Restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 31</b>
Capital Assets Not Being Depreciated					
Land	\$ 4,900	\$ -	\$ -	\$ -	\$ 4,900
Construction in Progress	1,302,217	1,982,948	-	-	3,285,165
Total Capital Assets Not Being Depreciated	\$ 1,307,117	\$ 1,982,948	\$ -	\$ -	\$ 3,290,065
Capital Assets Being Depreciated					
Buildings	\$ 3,247,633	\$ 93,725	\$ -	\$ -	\$ 3,341,358
Equipment	3,946,669	123,901	193,137	-	3,877,433
Infrastructure	59,282,090	-	-	-	59,282,090
Total Capital Assets Being Depreciated	\$ 66,476,392	\$ 217,626	\$ 193,137	\$ -	\$ 66,500,881
Less Accumulated Depreciation					
Buildings	\$ 1,973,379	\$ 70,510	\$ -	\$ -	\$ 2,043,889
Equipment	2,674,436	184,067	119,265	-	2,739,238
Infrastructure	52,170,609	204,363	-	-	52,374,972
Total Accumulated Depreciation	\$ 56,818,424	\$ 458,940	\$ 119,265	\$ -	\$ 57,158,099
Total Capital Assets Being Depreciated, Net	\$ 9,657,968	\$ (241,314)	\$ 73,872	\$ -	\$ 9,342,782
Governmental Activities Capital Assets, Net	\$ 10,965,085	\$ 1,741,634	\$ 73,872	\$ -	\$ 12,632,847

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

<b>Primary Government</b>	<b>Amounts</b>
General Government	\$ 34,730
Public Safety	98,738
Highways and Bridges	319,601
Health and Welfare	3,148
Conservation of Natural Resource	2,723
Total Depreciation Expense	\$ 458,940

**PEMBINA COUNTY**

## Notes to the Financial Statements – Continued

**Discretely Presented Component Unit**

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

<b>Water Resource District</b>	<b>Bal. Jan 1 Restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 31</b>
Capital Assets Not Being Depreciated					
Construction in Progress	\$ 580,357	\$ 949,923	\$ -	\$ (1,103,469)	\$ 426,811
Capital Assets Being Depreciated					
Equipment	\$ 74,391	\$ -	\$ -		\$ 74,391
Infrastructure	19,912,757	-	-	1,103,469	21,016,226
Total Capital Assets, Being Depreciated	\$ 19,987,148	\$ -	\$ -	\$ 1,103,469	\$ 21,090,617
Less Accumulated Depreciation					
Equipment	\$ 74,391	\$ -	\$ -	\$ -	\$ 74,391
Infrastructure	5,188,165	1,050,811	-	-	6,238,976
Total Accumulated Depreciation	\$ 5,262,556	\$ 1,050,811	\$ -	\$ -	\$ 6,313,367
Total Capital Assets Being Depreciated, Net	\$ 14,724,592	\$ (1,050,811)	\$ -	\$ 1,103,469	\$ 14,777,250
Governmental Activities Capital Assets, Net	\$ 15,304,949	\$ (100,888)	\$ -	\$ -	\$ 15,204,061

Depreciation expense was charged to the conservation of natural resource function.

**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:

<b>Primary Government</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>	<b>Due Within One Year</b>
Compensated Absences *	\$ 164,979	\$ -	\$ 3,062	\$ 161,917	\$ 16,192
Net Pension and OPEB Liability	3,421,363	3,333,367	-	6,754,730	-
Total Primary Government	\$ 3,586,342	\$ 3,333,367	\$ 3,062	\$ 6,916,647	\$ 16,192

\* The change in compensated absences is shown as a net change

**Discretely Presented Component Units**

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

<b>Water Resource District</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>	<b>Due Within One Year</b>
Long Term Debt					
Line of Credit Payable	\$ 730,123	\$ 180,000	\$ 798,674	\$ 111,449	\$ 111,449
Bonds Payable	3,045,000	1,333,000	220,000	4,158,000	273,000
Bond Premium	52,003	6,114	4,648	53,469	4,648
Total Long Term Debt	\$ 3,827,126	\$ 1,519,114	\$1,023,322	\$ 4,322,918	\$ 389,097
Compensated Absences *	5,194	1,956		7,150	715
Net Pension and OPEB Liability	56,423	91,980	-	148,403	-
Total Water Resource District	\$ 3,888,743	\$ 1,613,050	\$1,023,322	\$ 4,478,471	\$ 389,812

**PEMBINA COUNTY**

## Notes to the Financial Statements – Continued

Debt Service requirement on long-term debt at December 31, 2020 are as follows:

Year Ending Dec 31	Bonds Payable		Line of Credit		Bond Premium
	Principal	Interest	Principal	Interest	
2021	\$ 273,000	\$ 115,113	\$ 111,449	\$ 4,179	4,648
2022	277,000	109,720	-	-	4,648
2023	292,000	102,332	-	-	4,648
2024	298,000	94,545	-	-	4,648
2025	303,000	86,595	-	-	4,474
2026-2030	1,505,000	310,015	-	-	18,241
2031-2035	685,000	149,267	-	-	8,251
2036-2040	525,000	36,550	-	-	3,911
Total	\$ 4,158,000	\$ 1,004,137	\$ 111,449	\$ 4,179	\$ 53,469

Pembina County adopted new accounting guidance, GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements during 2020. The Water Resource District issued a new revolving line of credit in FY2020 in the amount of \$400,000. During the year, the Water Resource District used \$226,449 of the available of \$400,000. The unused portion of the line of credit at year end was \$288,551 at 2020 year end.

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

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

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

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

***Pension Benefits***

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

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



**Death and Disability Benefits**

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

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

**Refunds of Member Account Balance**

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

	<b>Net Pension Liability</b>
Primary Government	\$ 6,589,414
Water Resource District	144,771

**PEMBINA COUNTY**

## Notes to the Financial Statements – Continued

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:

	<b>Proportion</b>	<b>Increase (Decrease) in Proportion from June 30, 2019 Measurement</b>	<b>Pension Expense</b>
Primary Government	0.209452%	-0.064928%	\$ 994,230
Water Resource District	0.004602%	0.000077%	21,844

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

<b>Primary Government</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 25,645	\$ 333,891
Changes of Assumptions	3,532,341	583,984
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	212,673	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	31,042	706,492
Employer Contributions Subsequent to the Measurement Date	160,633	-
<b>Total Primary Government</b>	<b>\$ 3,962,333</b>	<b>\$ 1,624,367</b>

<b>Water Resource District</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 563	\$ 7,336
Changes of Assumptions	77,607	12,830
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	4,672	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	682	15,522
District Contributions Subsequent to the Measurement Date	3,512	-
<b>Total Water Resource District</b>	<b>\$ 87,036</b>	<b>\$ 35,688</b>

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:

Primary Government	\$ 160,633
Water Resource District	3,512

**PEMBINA 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:

	<b>Primary Government</b>	<b>Water Resource District</b>
2021	\$ 674,293	\$ 14,814
2022	563,754	12,386
2023	417,735	9,178
2024	521,551	11,459
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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
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.

**PEMBINA 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:

<b>Proportionate Share of the Net Pension Liability</b>	<b>1% Decrease (3.64%)</b>	<b>Current Discount Rate (4.64%)</b>	<b>1% Increase (5.64%)</b>
Primary Government	\$ 8,549,269	\$ 6,589,414	\$ 4,985,774
Water Resource District	187,830	144,771	109,539

***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.

**PEMBINA 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:

	<b>Net OPEB Liability</b>
Primary Government	\$ 165,316
Water Resource District	3,632

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:

	<b>Proportion</b>	<b>Increase (Decrease) in Proportion from June 30, 2019 Measurement</b>	<b>OPEB Expense</b>
Primary Government	0.196524%	-0.059245%	\$ 17,122
Water Resource District	0.004318%	0.000100%	376

**PEMBINA 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:

<b>Primary Government</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 3,671	\$ 3,964
Changes of Assumptions	22,166	-
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	5,685	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	1,394	35,029
Employer Contributions Subsequent to the Measurement Date	25,719	-
<b>Total Primary Government</b>	<b>\$ 58,636</b>	<b>\$ 38,993</b>

<b>Water Resource District</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 81	\$ 87
Changes of Assumptions	487	-
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	125	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	31	770
Employer Contributions Subsequent to the Measurement Date	562	-
<b>Total Water Resource District</b>	<b>\$ 1,286</b>	<b>\$ 857</b>

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:

Primary Government	\$ 25,719
Water Resource District	562

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

	<b>Primary Government</b>	<b>Water Resource District</b>
2021	\$ (1,348)	\$ (30)
2022	120	3
2023	(149)	(3)
2024	(1,859)	(41)
2025	(2,832)	(62)
2026	(9)	(0)
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

**PEMBINA COUNTY**

## Notes to the Financial Statements – Continued

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
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%

**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:

<b>Proportionate Share of the Net Pension Liability</b>	<b>1% Decrease (5.50%)</b>	<b>Current Discount Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
Primary Government	\$ 216,816	\$ 165,316	\$ 121,766
Water Resource District	4,763	3,632	2,675

**NOTE 10 OPEN CONSTRUCTION CONTRACTS****Primary Government**

The County had two construction projects open at year-end:

<b>County Projects</b>	<b>Contract Amount</b>	<b>Change Orders</b>	<b>Total Contract Amount</b>	<b>Total Completed</b>	<b>Retainage</b>	<b>Remaining Balance</b>
County Road 1 - Construction	\$ 724,772	\$ -	\$ 724,772	\$ 522,613	\$ 52,633	\$ 254,792
County Road 1 - Engineering	198,500	22,500	221,000	208,860	-	12,140
BRC-3428(056) - Construction	75,480	2,002	77,482	73,571	743	4,654
BRC-3428(056) - Engineering	10,649	-	10,649	10,110	-	539
<b>Total</b>	<b>\$ 1,009,401</b>	<b>\$ 24,502</b>	<b>\$ 1,033,903</b>	<b>\$ 815,154</b>	<b>\$ 53,376</b>	<b>\$ 272,125</b>



**PEMBINA COUNTY**

## Notes to the Financial Statements – Continued

The Water Resource District had three construction projects open at year-end:

<b>Water Resource District Projects</b>	<b>Contract Amount</b>	<b>Change Orders</b>	<b>Total Contract Amount</b>	<b>Total Completed</b>	<b>Retainage</b>	<b>Remaining Balance</b>
Wieler Dam Gate Repair	\$ 84,000	\$ -	\$ 84,000	\$ -	\$ -	\$ 84,000
Drain 62R	123,800	(4,293)	119,507	117,117	2,390	4,780
Drain 39	343,970	45,535	389,505	382,305	7,646	14,846
<b>Total</b>	<b>\$ 551,770</b>	<b>\$ 41,242</b>	<b>\$ 593,012</b>	<b>\$ 499,422</b>	<b>\$ 10,036</b>	<b>\$ 103,626</b>

**NOTE 11 RISK MANAGEMENT**

The 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 coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and automobile and \$1,553,901 for mobile equipment and portable property (public assets).

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 County has worker's compensation with the ND Workforce Safety and Insurance.

**NOTE 12 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.

**NOTE 13 JOINT VENTURES****Red River Joint Water Resource District**

Under authorization of state statutes, the Water Resource District joined Southeast Cass Water Resource District, North Cass Water Resource District, Maple River Water Resource District, Rush River Water Resource District, and the water resource districts of Richland County, Traill County, Steele County, Pembina County, Nelson County, Ransom County, and Sargent County to establish and operate a joint exercise of powers agreement for the water management districts located within the Red River Valley. Each government appoints one member of the board of directors for the joint venture. The operating and capital expenses are funded by contributions from each government. Each government's share of assets, liabilities, and fund equity cannot be determined as no provision is made for this in the joint venture agreement and each government's contribution each year depends on where Red River Joint Water Resource Board projects are being undertaken.

**PEMBINA COUNTY**

## Notes to the Financial Statements – Continued

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2020:

Total Assets	\$ 15,159,408
Total Liabilities	190,456
Net Position	\$ 14,968,952
Total Revenues	\$ 2,760,072
Total Expenses	1,168,138
Change in Net Position	\$ 1,591,934

Complete financial statements for the Red River Joint Water Resource District may be obtained from the Treasurer's office at Red River Joint Water Resource District, 1201 Main Avenue West, West Fargo, ND 58078.

**Park River Joint Water Resource District**

Under authorization of state statutes, Walsh County and Pembina County formed the Park River Joint Water Resource District to address common water issues and problems with the portions of the Park River Watershed in those counties. Each government appoints one member of the board of directors for the joint venture. The operating and capital expenses are funded by contributions from each government. Under the agreement, and assessment project costs will be assessed and paid from the properties benefited by the project, and any excess costs of such project will be shared equally from the individual water resource district general funds. Other general and administrative costs will be paid by the individual water resource districts as described in the joint powers agreement.

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2018.

Total Assets	\$ 192,004
Total Liabilities	-
Net Position	\$ 192,004
Total Revenues	\$ 135,355
Total Expenses	134,133
Change in Net Position	\$ 1,222

Complete financial statements for the Park River Joint Water Resource District may be obtained from the Park River Joint Water Resource District, 308 Courthouse Drive #5, Cavalier, ND 58220.

**NOTE 14 CONDUIT DEBT**

Conduit debt obligations are defined as certain limited-obligation revenue bonds, certifications of participation, or similar debt instruments issued by a state or local governmental entity for the express purpose of providing capital financing for a specific third party that is not part of the issuer's financial reporting entity. Neither the County, the state, nor any political subdivision thereof is obligated in any manner for repayment of the loans. Accordingly, the loans are not reported as liabilities in the accompanying financial statements.

At December 31, 2020, the County is involved in conduit debt obligations under the following criteria.

**Community Development Block Grants**

The County is currently involved in a program that had issued Community Development Block Grant Loans. Community Development Block Grant Loans provide financial assistance private-sector entities for various purposes. The loans are secured by the property financed and are payable solely from payments received on the underlying block grant loans.

As of December 31, 2020, there was one Community Development Block Grant with principal balances that totaled \$14,874.

**PEMBINA COUNTY**Budgetary Comparison Schedule – General Fund  
For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 3,150,625	\$ 3,150,625	\$ 3,147,525	\$ (3,100)
Intergovernmental	753,157	753,157	1,512,508	759,351
Charges for Services	576,130	576,130	712,861	136,731
Licenses, Permits and Fees	3,550	3,550	7,300	3,750
Interest Income	-	-	52,811	52,811
Miscellaneous	185,553	185,553	267,025	81,472
<b>Total Revenues</b>	<b>\$ 4,669,015</b>	<b>\$ 4,669,015</b>	<b>\$ 5,700,030</b>	<b>\$ 1,031,015</b>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 3,024,011	\$ 3,054,711	\$ 2,499,442	\$ 555,269
Public Safety	1,512,044	1,575,262	1,490,405	84,857
Health and Welfare	388,392	482,653	454,957	27,696
Economic Development	23,200	23,200	23,000	200
<b>Total Expenditures</b>	<b>\$ 4,947,647</b>	<b>\$ 5,135,826</b>	<b>\$ 4,467,804</b>	<b>\$ 668,022</b>
Excess (Deficiency) of Revenues Over Expenditures	<b>\$ (278,632)</b>	<b>\$ (466,811)</b>	<b>\$ 1,232,226</b>	<b>\$ 1,699,037</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ -	\$ -	\$ 51,118	\$ 51,118
Transfers Out	-	-	(50,307)	(50,307)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 811</b>	<b>\$ 811</b>
<b>Net Change in Fund Balances</b>	<b>\$ (278,632)</b>	<b>\$ (466,811)</b>	<b>\$ 1,233,037</b>	<b>\$ 1,699,848</b>
<b>Fund Balances - January 1</b>	<b>\$ 1,401,910</b>	<b>\$ 1,401,910</b>	<b>\$ 1,401,910</b>	<b>\$ -</b>
<b>PPA</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 50,307</b>	<b>\$ 50,307</b>
<b>Fund Balances - January 1 Restated</b>	<b>\$ 1,401,910</b>	<b>\$ 1,401,910</b>	<b>\$ 1,452,217</b>	<b>\$ 50,307</b>
<b>Fund Balances - December 31</b>	<b>\$ 1,123,278</b>	<b>\$ 935,099</b>	<b>\$ 2,685,254</b>	<b>\$ 1,750,155</b>

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

**PEMBINA COUNTY**

## Budgetary Comparison Schedule – Special Revenue Fund

For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 1,092,352	\$ 1,092,352	\$ 1,083,538	\$ (8,814)
Intergovernmental	1,270,862	1,270,862	1,008,877	(261,985)
Charges for Services	95,500	95,500	202,469	106,969
Miscellaneous	30,000	30,000	80,797	50,797
Total Revenues	\$ 2,488,714	\$ 2,488,714	\$ 2,375,681	\$ (113,033)
<b>EXPENDITURES</b>				
Current				
Public Safety	\$ 52,881	\$ 114,041	\$ 114,644	\$ (603)
Health and Welfare	129,736	133,540	345,767	(212,227)
Highways and Bridges	2,531,327	2,563,237	2,259,383	303,854
Flood Repair	150,000	150,000	19,849	130,151
Conserv. of Natural Resources	362,399	378,277	340,702	37,575
Emergency	64,693	64,693	1,088	63,605
Total Expenditures	\$ 3,291,036	\$ 3,403,788	\$ 3,081,433	\$ 322,355
Excess (Deficiency) of Revenues Over Expenditures	\$ (802,322)	\$ (915,074)	\$ (705,752)	\$ 209,322
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	\$ -	\$ -	\$ (811)	\$ (811)
Total Other Financing Sources and Uses	\$ -	\$ -	\$ (811)	\$ (811)
Net Change in Fund Balances	\$ (802,322)	\$ (915,074)	\$ (706,563)	\$ 208,511
Fund Balances - January 1	\$ 2,805,488	\$ 2,805,488	\$ 2,805,488	\$ -
Fund Balances - December 31	\$ 2,003,166	\$ 1,890,414	\$ 2,098,925	\$ 208,511

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

**PEMBINA 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**

<b>Primary Government</b>	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	0.209452%	\$ 6,589,414	\$ 2,310,516	285.19%	48.91%
2019	0.274380%	3,215,932	2,854,021	112.68%	71.66%
2018	0.282429%	4,766,291	2,901,440	164.27%	62.80%
2017	0.277074%	4,453,494	2,828,490	157.45%	61.98%
2016	0.274259%	2,672,926	2,763,888	96.71%	70.46%
2015	0.283066%	1,924,801	2,521,772	76.33%	77.15%
2014	0.285196%	1,810,202	2,402,441	75.35%	77.70%

<b>Water Resource District</b>	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	0.004602%	\$ 144,771	\$ 50,763	285.19%	48.91%
2019	0.004525%	53,036	47,067	112.68%	71.66%
2018	0.006283%	106,039	64,551	164.27%	62.80%
2017	0.006349%	102,044	64,810	157.45%	61.98%
2016	0.004177%	40,704	42,090	96.71%	70.46%
2015	0.003961%	26,934	35,287	76.33%	77.15%
2014	0.003991%	25,330	33,618	75.35%	77.70%

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

**PEMBINA 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**

<b>Primary Government</b>	<b>Statutory Required Contribution</b>	<b>Contributions in Relation to the Statutory Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered-Employee Payroll</b>	<b>Contributions as a Percentage of Covered-Employee Payroll</b>
2020	\$ 163,605	\$ 197,526	\$ (33,922)	\$ 2,782,770	8.55%
2019	206,674	211,041	(4,366)	2,854,021	7.39%
2018	213,704	207,017	6,686	2,901,440	7.13%
2017	205,100	209,749	(4,648)	2,828,490	7.42%
2016	200,101	201,442	(1,342)	2,763,888	7.29%
2015	191,549	190,876	673	2,521,772	7.57%
2014	171,053	171,053	-	2,402,441	7.12%

<b>Water Resource District</b>	<b>Statutory Required Contribution</b>	<b>Contributions in Relation to the Statutory Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered-Employee Payroll</b>	<b>Contributions as a Percentage of Covered-Employee Payroll</b>
2020	\$ 3,594	\$ 4,340	\$ (745)	\$ 61,140	8.55%
2019	3,427	3,480	(54)	47,067	7.39%
2018	4,754	4,606	149	64,551	7.13%
2017	4,700	4,806	(107)	64,810	7.42%
2016	3,047	3,068	(20)	42,090	7.29%
2015	2,680	2,671	9	35,287	7.57%
2014	2,394	2,394	-	33,618	7.12%

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

**PEMBINA 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**

<b>Primary Government</b>	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	0.196524%	\$ 165,316	\$ 2,310,516	7.15%	63.38%
2019	0.255769%	205,430	2,854,021	7.20%	63.13%
2018	0.265162%	208,833	2,901,440	7.20%	61.89%
2017	0.261451%	206,811	2,828,490	7.31%	59.78%

<b>Water Resource District</b>	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	0.004318%	\$ 3,632	\$ 50,763	7.15%	63.38%
2019	0.004218%	3,388	47,067	7.20%	63.13%
2018	0.005899%	4,646	64,551	7.20%	61.89%
2017	0.005991%	4,739	64,810	7.31%	59.78%

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

<b>Primary Government</b>	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	\$ 26,319	\$ 31,404	\$ (5,085)	\$ 2,782,770	1.13%
2019	33,193	33,791	(598)	2,854,021	1.18%
2018	34,032	33,147	885	2,901,440	1.14%
2017	32,880	33,583	(704)	2,828,490	1.19%

<b>Water Resource District</b>	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	\$ 578	\$ 690	\$ (112)	\$ 61,140	1.13%
2019	547	557	(10)	47,067	1.18%
2018	757	737	20	64,551	1.14%
2017	753	770	(16)	64,810	1.19%



**PEMBINA COUNTY**

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

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**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.

**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	Amendment	Amended Budget
General Fund	\$ 4,947,647	\$ 188,179	\$ 5,135,826
Special Revenue Fund	3,291,036	112,752	3,403,788

**PEMBINA COUNTY**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2020

CFDA Number	Program Title	Pass-Through Grantor's Number	Expenditures
<b>US DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>			
Passed Through State Department of Human Services			
93.563	Child Support Enforcement	N/A	\$ 21
93.778	Medical Assistance Program	N/A	2,358
93.959	Block Grants for Preventive and Treatment of Substance Abuse	810-11574	26,100
Passed Through State Department of Health			
93.069	Public Health Emergency Preparedness	G19.795 (20-21)	2,073
93.268	Immunization Cooperative Agreements	G19.884 (20-21)	1,646
93.247	Advanced Nursing Education Grant Program	G19.908 (20-21) and G19.304 (19-20)	10,441
Total Department of Health and Human Services			<u>\$ 42,639</u>
<b>US DEPARTMENT OF TRANSPORTATION:</b>			
Passed through the State Department of Transportation			
20.600	State and Community Highway Safety	N/A	\$ 1,360
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	N/A	4,000
20.616	National Priority Safety Programs	N/A	<u>4,822</u>
Total Department of Health and Human Services			<u>\$ 10,182</u>
<b>US DEPARTMENT OF JUSTICE</b>			
Passed Through the State Attorney General's Office			
16.034	Coronavirus Emergency Supplemental Funding Program	CEFS #40408	\$ 3,631
16.576	Crime Victim Compensation	2020-#2017-VA-GX-0039	62,161
16.738	Edward Byrne Memorial Formula Grant Program	2021 #2018-V2-GX-0008 1 19218	<u>1,724</u>
Total Department of Justice			<u>\$ 67,516</u>
<b>US DEPARTMENT OF THE TREASURY</b>			
Passed through State Department of the Treasurer			
21.019	Coronavirus Relief Fund	N/A	\$ 585,551
Passed through the State Department of Health:			
21.019	Coronavirus Relief Fund	N/A	<u>\$ 185,921</u>
Total U.S. Department of the Treasurer			<u>\$ 771,472</u>
<b>US DEPARTMENT OF HOMELAND SECURITY:</b>			
Passed through the State Department Emergency Management:			
97.042	Emergency Management Performance Grants	2019-P032-19 & 2020-P287-20	\$ 24,850
97.067	Homeland Security Grant Programs	EMW-2020-SS-00073	159,987
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	DR4444PA- PW 194 & PW125	<u>17,514</u>
Total U.S. Department of Homeland Security			<u>\$ 202,351</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,094,160</u></u>

See notes to the Schedule of Expenditures of Federal Awards

**PEMBINA COUNTY**

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

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**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



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

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Independent Auditor's Report

Board of County Commissioners  
Pembina County  
Cavalier, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pembina County as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Pembina County's basic financial statements, and have issued our report thereon dated July 27, 2021.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying *schedule of audit findings and questioned costs*, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying *schedule of audit findings and questioned costs* as items 2020-003 and 2020-004 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of audit findings as items 2020-001 and 2020-002 to be significant deficiencies.

## **PEMBINA COUNTY**

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

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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Pembina County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **Pembina County's Response to Findings**

Pembina County's response to the findings identified in our audit is described in the accompanying *schedule of audit findings and Questioned Costs*. Pembina 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  
July 27, 2021



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

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### Independent Auditor's Report

Board of County Commissioners  
Pembina County  
Cavalier, North Dakota

#### **Report on Compliance for Each Major Federal Program**

We have audited Pembina County's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on Pembina County's major federal program for the year ended December 31, 2020. Pembina 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 Pembina 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 Pembina 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 Pembina County's compliance.

#### **Opinion on Each Major Federal Program**

In our opinion, Pembina 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.

## **PEMBINA COUNTY**

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

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#### **Report on Internal Control Over Compliance**

Management of Pembina 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 Pembina 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 Pembina 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  
July 27, 2021



**PEMBINA COUNTY**

## Summary of Auditor's Results

For the Year Ended December 31, 2020

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**Financial Statements**

Type of Report Issued:	
Governmental Activities	Unmodified
Aggregate Discretely Presented Component Units	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

**Internal control over financial reporting**

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

**Federal Awards**Internal Control Over Major Programs

Material weaknesses identified?	<u>      </u>	Yes	<u>  X  </u>	None noted
Reportable conditions identified not considered to be material weaknesses?	<u>      </u>	Yes	<u>  X  </u>	None noted
Type of auditor's report issued on compliance for major programs:				Unmodified
Any audit findings disclosed that are required to be reported in accordance with CFR §200.516 (Uniform Guidance) requirements?	<u>      </u>	Yes	<u>  X  </u>	None noted

**Identification of Major Programs**

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CFDA 20.019Coronavirus Relief Fund

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

**PEMBINA COUNTY**

Schedule of Audit Findings and Questioned Costs

For the Year Ended December 31, 2020

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**2020-001— LACK OF SUPPORT FOR BUDGETED ESTIMATED CASH – SIGNIFICANT DEFICIENCY****Condition**

Pembina County did not have supporting documentation for the estimated cash amount for the 2020 General Fund budget.

**Criteria**

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to estimated cash, management is responsible for adequate internal controls surrounding the use of estimates during the budget process.

**Cause**

Pembina County did not have a process of calculating the estimated cash balance for the preliminary and final budget for the General Fund.

**Effect**

The estimates for year-end cash are key components in the tax levy calculation in any budget year. Thus, Pembina County may have improperly calculated the tax levies for the General Fund.

**Repeat Finding**

No.

**Recommendation**

We recommend Pembina County maintain supporting documentation for estimated cash in the budget. We further recommend that Pembina County review its process for calculating cash estimates in the preliminary and final budgets prior to approval.

**Pembina County's Response**

See Corrective Action Plan.

**2020-002 LACK OF SEGREGATION OF DUTIES – COMPONENT UNITS – SIGNIFICANT DEFICIENCY****Condition**

The Pembina County Water Resource District and Pembina County Job Development Authority have limited personnel responsible for most 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**

Proper internal control surrounding the custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates 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 Pembina County Water Resource District and Pembina County Job Development Authority.

**Cause**

Management has chosen to allocate its economic resources to other functions of the Pembina County Water Resource District and Pembina County Job Development Authority.

**Effect**

The lack of segregation of duties increases the risk of material misstatement to the Pembina County Water Resource District and Pembina County Job Development Authority'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.

**Pembina County's Response**

We agree that a lack of segregation of duties exists and if the board does hire more administration that duties will be further segregated to the extent possible. We understand that this will be a repeated recommendation due to the limited number of staff employed by the Pembina County Water Resource District and Pembina County Job Development Authority.

**PEMBINA COUNTY**Schedule of Audit Findings and Questioned Costs – Continued

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**2020-003— CAPITAL ASSET MAINTENANCE – MATERIAL WEAKNESS****Condition**

Pembina County had capital assets recorded at the incorrect value for 2019 and 2020. A prior period adjustment of \$160,291 was necessary to increase the beginning balance of net capital assets. A current adjustment of \$493,228.81 was needed to increase the ending net capital assets for 2020.

**Criteria**

GAAP requires financial statements, which includes capital assets, to be presented free from material misstatements.

**Cause**

The Pembina County does not currently have someone other than the preparer reviews the capital asset listing to ensure compliance with GAAP.

**Effect**

Pembina County is not in compliance with Generally Accepted Accounts Principles (GAAP), which increases the risk of material misstatement to its financial statements, whether due to fraud or error.

**Repeat Finding**

No.

**Recommendation**

We recommend Pembina County carefully prepare and review capital asset schedules to ensure they are free of material misstatements.

**Pembina County's Response**

See Corrective Action Plan.

**PEMBINA COUNTY**Schedule of Audit Findings and Questioned Costs – Continued

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**2020-004— CAPITAL ASSET MAINTENANCE – WATER RESOURCE DISTRICT – MATERIAL WEAKNESS****Condition**

Pembina County Water Resource District had capital assets recorded at the incorrect value for 2019 and 2020. A prior period adjustment of \$190,236 was necessary to increase the beginning balance of net capital assets. A current adjustment of \$426,812 was needed to increase the ending net capital assets for 2020.

**Criteria**

GAAP requires financial statements, which includes capital assets, to be presented free from material misstatements.

**Cause**

The Pembina County Water Resource District does not currently have someone other than the preparer reviews the capital asset listing to ensure compliance with GAAP.

**Effect**

Pembina County Water Resource District is not in compliance with Generally Accepted Accounts Principles (GAAP), which increases the risk of material misstatement to its financial statements, whether due to fraud or error.

**Repeat Finding**

No.

**Recommendation**

We recommend the Pembina County Water Resource District carefully prepare and review capital asset schedules to ensure they are free of material misstatements.

**Pembina County Water Recourse District's Response**

Agreed. The Board will review the assets listing as part of the year end financial review.

# PEMBINA COUNTY North Dakota

OFFICES OF AUDITOR/TREASURER  
SUPT OF SCHOOLS DESIGNEE

**Linda Schlittenhard**

Dawn Useldinger-Menzies  
Deputy Auditor/Treasurer

Renee Lunde  
Deputy Auditor/Treasurer



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[www.pembinacountynd.gov](http://www.pembinacountynd.gov)

**Date:** July 9, 2021  
**To:** Joshua C. Gallion, ND State Auditor  
**FROM:** Linda Schlittenhard, County Auditor  
**RE:** Pembina County 2020 - Corrective Action Plan

**Contact Person Responsible for Corrective Action Plan:** Linda Schlittenhard, County Auditor

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## **2020-001— LACK OF SUPPORT FOR BUDGETED ESTIMATED CASH – SIGNIFICANT DEFICIENCY**

### **Condition:**

Pembina County did not have supporting documentation for the estimated cash amount for the 2020 General Fund budget.

### **Corrective Action Plan:**

We agree with the findings and Pembina County will have supporting documentation for the estimated cash amount for the General Fund budget to ensure we will be in compliance with NDCC.

### **Anticipated Completion Date:**

Pembina County will comply with the findings for fiscal year 2021.

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## **2020-003— CAPITAL ASSET MAINTENANCE – MATERIAL WEAKNESS**

### **Condition:**

Pembina County had capital assets recorded at the incorrect value for 2019 and 2020. A prior period adjustment of \$160,291 was necessary to increase the beginning balance of net capital assets. A current adjustment of \$493,228.81 was needed to increase the ending net capital assets for 2020.

### **Corrective Action Plan:**

We Agree. Pembina County has one individual that inputs capital assets. In the future the Auditor will review all capital projects to ensure they are included on the capital assets listing.

### **Anticipated Completion Date:**

Pembina County will comply with the findings for fiscal year 2021.

# PEMBINA COUNTY North Dakota

OFFICES OF AUDITOR/TREASURER  
SUPT OF SCHOOLS DESIGNEE

**Linda Schlittenhard**

Dawn Useldinger-Menzies  
Deputy Auditor/Treasurer

Renee Lunde  
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**Date:** July 9, 2021  
**To:** Joshua C. Gallion, ND State Auditor  
**FROM:** Linda Schlittenhard, County Auditor  
**RE:** Pembina County 2020 – Prior Recommendation Status

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## **2019-001 MATERIAL WEAKNESS – FINANCIAL STATEMENTS PRERATION**

### **Condition:**

Pembina County currently does not prepare the financial statements, including various 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 the Pembina County consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future.

### **Current Status**

Pembina County may do the financial statements in the future.

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## **2019-002 AUDIT ADJUSTMENTS – INTERGOVERNMENTAL RECEIVABLES – MATERIAL WEAKNESS**

### **Condition:**

Pembina County did not include intergovernmental receivables totaling \$277,664 in their listing of receivables to be included in the financial statements.

### **Recommendation:**

We recommend that Pembina County carefully prepare and review Intergovernmental Receivable schedules to ensure they are free of material misstatements.

### **Current Status:**

Intergovernmental Receivables were properly provided to the State Auditor's Office for inclusion in the financial statements for 2020.

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STATE AUDITOR  
Joshua C. Gallion



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701-328-2341

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STATE CAPITOL  
600 E. Boulevard Ave. Dept. 117  
Bismarck, North Dakota, 58505

[ndsao@nd.gov](mailto:ndsao@nd.gov)

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## GOVERNANCE COMMUNICATION

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Board of County Commissioners  
Pembina County  
Cavalier, 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 Pembina County, North Dakota, for the year ended December 31, 2020 which collectively comprise Pembina County's basic financial statements, and have issued our report thereon dated July 27, 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 May 6, 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 Pembina 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 Pembina 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 Pembina 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.



**PEMBINA COUNTY**

## Governance 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 schedule below lists all misstatements detected as a result of audit procedures or provided by management that were corrected by management.

	<b>Audit Adjustments</b>	
	<b>Debit</b>	<b>Credit</b>
<b>PRIMARY GOVERNMENT</b>		
<u>Prior Period Adjustment to Restate the Beginning Balance of Net Position</u>		
Capital Assets, Net	160,291	-
Beginning Net Position	-	160,291
<u>Current Adjustment to Increase the Ending Balance of Net Position</u>		
Capital Assets, Net	493,229	-
Ending Net Position	-	493,229
<b>WATER RESOURCE DISTRICT</b>		
<u>Prior Period Adjustment to Restate the Beginning Balance of Net Position</u>		
Capital Assets, Net	453,040	-
Beginning Net Position	-	453,040
<u>Current Adjustment to Increase the Ending Balance of Net Position</u>		
Capital Assets, Net	426,812	-
Ending Net Position	-	426,812
Expenditure	34,611	-
Accounts Payable	-	34,611
<b>JOB DEVELOPMENT AUTHORITY</b>		
<u>Prior Period Adjustment to Restate the Beginning Balance of Net Position</u>		
Loans Receivable	8,463	-
Beginning Net Position	-	8,463

**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 July 27, 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.

**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 Pembina County, and 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 Pembina 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 Pembina County.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
July 27, 2021



Office of the  
State Auditor

NORTH DAKOTA STATE AUDITOR  
JOSHUA C. GALLION

**NORTH DAKOTA STATE AUDITOR'S OFFICE**

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