



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Cavalier County

Langdon, North Dakota

Audit Report for the Year Ended December 31, 2021

Client Code: PS10000



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Office of the
State Auditor

CAVALIER COUNTY

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CAVALIER COUNTY

County Officials

December 31, 2021

COUNTY OFFICIALS

Greg Goodman
Stanley Dick
Nick Moser
Austin Lafrenz
David Zeis

Lisa Gellner
Vicki Kubat
Kari Agotness
Greg Fetsch
Scott Stewart
Cynthia Stremick

Chairman
Vice Chairman
Commissioner
Commissioner
Commissioner

Auditor
County Recorder
District County Judge
Sheriff
States Attorney
Treasurer

STATE AUDITOR
Joshua C. Gallion



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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Cavalier County
Langdon, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cavalier County, North Dakota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Cavalier County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cavalier County, North Dakota, as of December 31, 2021, and the respective changes in financial position, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cavalier County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the 2020 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cavalier County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing our audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Cavalier County's internal control. Accordingly, no such opinion is expressed
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cavalier County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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.

CAVALIER COUNTYIndependent Auditor's Report - Continued

Other Reporting Required by *Government Auditing Standards*

In accordance with *GAS*, we have also issued our report dated November 17, 2022 on our consideration of Cavalier County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *GAS* in considering Cavalier County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
November 17, 2022

CAVALIER COUNTY
Statement of Net Position
December 31, 2021

	Primary Government	
	Governmental Activities	Component Units
ASSETS		
Cash, Cash Equivalents and Investments	\$ 9,045,862	\$ 1,992,429
Other Assets	-	28,308
Accounts Receivable	23,178	6,375
Intergovernmental Receivable	276,442	-
Road Accounts Receivable	56,122	-
Taxes Receivable	58,194	7,109
Special Assessment Receivable	-	165,750
Loans Receivable	30,244	291,153
Capital Assets		
Nondepreciable	30,000	778,981
Depreciable, Net	14,386,306	1,709,897
Total Assets	\$ 23,906,348	\$ 4,980,002
DEFERRED OUTFLOWS OF RESOURCES		
Derived from Pensions and OPEB	\$ 4,627,652	\$ 287,092
LIABILITIES		
Accounts Payable	\$ 113,801	\$ -
Grants Received in Advance	365,362	515,926
Salaries and Benefits Payable	2,978	18,317
City Loans Payable	-	204,749
Interest Payable	9,375	2,497
Long-Term Liabilities		
Due Within One Year		
Long-Term Debt	107,870	56,927
Compensated Absences	45,377	2,316
Due Outside One Year		
Long-Term Debt	349,704	217,154
Compensated Absences	408,398	20,854
Net Pension & OPEB Liability	3,347,938	199,927
Total Liabilities	\$ 4,750,803	\$ 1,238,667
DEFERRED INFLOWS OF RESOURCES		
Taxes Received in Advance	\$ 1,185,920	\$ -
Derived from Pensions and OPEB	6,161,508	382,383
Total Deferred Inflows of Resources	\$ 7,347,428	\$ 382,383
NET POSITION		
Net Investment in Capital Assets	\$ 13,949,357	\$ 1,433,319
Restricted		
Highways & Bridges	2,891,881	-
Health & Welfare	-	332,662
Culture & Recreation	-	97,641
Conservation of Natural Resources	37,658	959,744
Emergencies	123,872	-
Economic Development	-	822,678
Unrestricted	(566,999)	-
Total Net Position	\$ 16,435,769	\$ 3,646,044

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

CAVALIER COUNTY
Statement of Activities
For the Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Fees, Fines, Forteits & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Units
Primary Government						
Governmental Activities						
General Government	\$ 2,036,017	\$ 129,642	\$ -	\$ -	\$ (1,906,375)	
Public Safety	1,704,742	418,651	242,534	23,099	(1,020,458)	
Highways & Bridges	2,564,425	224,761	548,048	929,370	(862,246)	
Health & Welfare	3,594,677	112,004	3,171,268	-	(311,405)	
Flood Repair	14,940	-	22,877	-	7,937	
Conservation of Natural Resources	325,715	10,999	47,705	-	(267,011)	
Other	28,500	-	-	-	(28,500)	
Interest and Fees on Long-Term Debt	10,406	-	-	-	(10,406)	
Total Governmental Activities	\$ 10,279,422	\$ 896,057	\$ 4,032,432	\$ 952,469	\$ (4,398,464)	
Component Units						
Governmental Activities						
Water Resource District	\$ 497,252	\$ 138,575	\$ -	\$ 165,750	\$ -	\$ (192,927)
Health District	578,678	91,511	558,139	42,990	-	113,962
Job Development Authority	235,523	4,923	-	84,074	-	(146,526)
County Library	124,669	1,148	-	-	-	(123,521)
Total Component Units	\$ 1,436,122	\$ 236,157	\$ 558,139	\$ 292,814	\$ -	\$ (349,012)
General Revenues						
Property taxes					\$ 4,059,886	\$ 541,750
Drain Assessments					-	241,294
Sales taxes					-	38,420
Nonrestricted Grants and Contributions					542,240	11,311
Unrestricted investment earnings					69,685	3,218
Loss on Sale of Capital Asset					(16,763)	-
Miscellaneous revenue					107,176	40,993
Total General Revenues					\$ 4,762,224	\$ 876,986
Change in Net Position					\$ 363,760	\$ 527,974
Net Position - January 1					\$ 16,041,940	\$ 2,398,360
Prior Period Adjustment					30,069	719,710
Net Position - January 1, as restated					\$ 16,072,009	\$ 3,118,070
Net Position - December 31					\$ 16,435,769	\$ 3,646,044

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

CAVALIER COUNTY

Balance Sheet – Governmental Funds

December 31, 2021

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 3,706,296	\$ 5,339,566	\$ 9,045,862
Accounts Receivable	8,685	14,493	23,178
Intergovernmental Receivable	217,829	58,613	276,442
Loan Receivables	30,244	-	30,244
Road Receivables	-	56,122	56,122
Taxes Receivable	27,268	30,926	58,194
Total Assets	<u>\$ 3,990,322</u>	<u>\$ 5,499,720</u>	<u>\$ 9,490,042</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 28,378	\$ 85,423	\$ 113,801
Salaries Payable	2,978	-	2,978
Grants Received in Advance	-	365,362	365,362
Total Liabilities	<u>\$ 31,356</u>	<u>\$ 450,785</u>	<u>\$ 482,141</u>
Deferred Inflows of Resources			
Road Receivables	\$ -	\$ 56,122	\$ 56,122
Taxes Received in Advance	562,999	622,921	1,185,920
Taxes Receivable	27,268	30,926	58,194
Total Deferred Inflows of Resources	<u>\$ 590,267</u>	<u>\$ 709,969</u>	<u>\$ 1,300,236</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 621,623</u>	<u>\$ 1,160,754</u>	<u>\$ 1,782,377</u>
Fund Balances			
Nonspendable			
Loan Receivable	\$ 30,244	\$ -	\$ 30,244
Restricted			
General Government	-	18,060	18,060
Public Safety	-	124,937	124,937
Highways & Bridges	-	3,493,745	3,493,745
Health & Welfare	-	435,180	435,180
Conservation of Natural Resources	-	143,367	143,367
Emergencies	-	123,677	123,677
Unassigned	3,338,455	-	3,338,455
Total Fund Balances	<u>\$ 3,368,699</u>	<u>\$ 4,338,966</u>	<u>\$ 7,707,665</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,990,322</u>	<u>\$ 5,499,720</u>	<u>\$ 9,490,042</u>

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

CAVALIER COUNTY

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

December 31, 2021

Total Fund Balances - Governmental Funds **\$ 7,707,665**

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

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds. 14,416,306

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	\$ 58,194	
Road Department Accounts Receivable	<u>56,121</u>	114,315

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

Deferred Outflows Related to Pensions and OPEB	\$ 4,627,652	
Deferred Inflows Related to Pensions and OPEB	<u>(6,161,508)</u>	(1,533,856)

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

Loans Payable	\$ (457,574)	
Interest Payable	(9,375)	
Compensated Absences Payable	(453,775)	
Net Pension and OPEB Liability	<u>(3,347,937)</u>	<u>(4,268,661)</u>

Total Net Position of Governmental Activities **\$ 16,435,769**

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

CAVALIER COUNTYStatement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended December 31, 2021

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 1,913,845	\$ 2,158,229	\$ 4,072,074
Intergovernmental	1,140,317	3,457,454	4,597,771
Charges for Services	449,373	428,318	877,691
Licenses, Permits and Fees	4,020	-	4,020
Interest Income	69,685	-	69,685
Miscellaneous	87,383	19,793	107,176
Total Revenues	\$ 3,664,623	\$ 6,063,794	\$ 9,728,417
EXPENDITURES			
Current			
General Government	\$ 1,872,445	\$ 15,924	\$ 1,888,369
Public Safety	1,548,241	323,446	1,871,687
Highways & Bridges	-	2,101,585	2,101,585
Health & Welfare	159,958	3,158,654	3,318,612
Flood Repair	-	14,940	14,940
Conserv. of Natural Resources	-	304,043	304,043
Other	28,500	-	28,500
Debt Service			
Principal	226,520	220,444	446,964
Interest	3,888	12,960	16,848
Total Expenditures	\$ 3,839,552	\$ 6,151,996	\$ 9,991,548
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (174,929)	\$ (88,202)	\$ (263,131)
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ 29,100	\$ 989,830	\$ 1,018,930
Sales of Capital Assets	12,000	1,644	13,644
Loan/Debt Proceeds	-	150,000	150,000
Transfers Out	(78,008)	(940,922)	(1,018,930)
Total Other Financing Sources and Uses	\$ (36,908)	\$ 200,552	\$ 163,644
Net Change in Fund Balances	\$ (211,837)	\$ 112,350	\$ (99,487)
Fund Balances - January 1	\$ 3,580,536	\$ 4,226,616	\$ 7,807,152
Fund Balances - December 31	\$ 3,368,699	\$ 4,338,966	\$ 7,707,665

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

CAVALIER COUNTY

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2021

Net Change in Fund Balances - Total Governmental Funds **\$ (99,487)**

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	\$ 839,031	
Capital Contribution	929,370	
Depreciation Expense	<u>(1,015,149)</u>	753,252

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

Loss on Sale of Capital Assets	\$ (16,763)	
Proceeds from Sale of Capital Assets	<u>(13,644)</u>	(30,407)

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

Issuance of Loans	\$ (150,000)	
Repayment of Long-Term Debt	<u>446,964</u>	296,964

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

Decrease in Interest Payable	\$ 6,442	
Increase in Compensated Absences Payable	<u>(40,963)</u>	(34,521)

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

Decrease in Net Pension & OPEB Liability	\$ 6,456,390	
Decrease in Deferred Outflows of Resources Related to Pensions	(2,177,310)	
Increase in Deferred Inflows of Resources Related to Pensions	<u>(4,803,278)</u>	(524,198)

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

Decrease in Taxes Receivable	\$ (12,188)	
Increase in Road Receivables	<u>14,345</u>	2,157

Change in Net Position of Governmental Activities **\$ 363,760**

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

CAVALIER COUNTY

Statement of Fiduciary Net Position – Fiduciary Funds

December 31, 2021

	Custodial Funds
ASSETS	
Cash and cash equivalents	<u>\$ 2,441,958</u>
LIABILITIES & DERRERED INFLOWS OF RESOURCES	
Liabilities	
Funds Held for Other Governmental Units	\$ 36,232
Funds Held for Other Purposes	<u>16,357</u>
Total Liabilities	<u>\$ 52,589</u>
Deferred Inflows of Resources	
Taxes Received in Advance	<u>\$ 2,389,370</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 2,441,959</u>

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

CAVALIER COUNTYStatement of Changes in Fiduciary Net Position – Fiduciary Funds
December 31, 2021

	<u>Custodial Funds</u>
ADDITIONS	
Tax Collections for Other Governments	\$ 9,068,143
Grant Collections for Other Governments	991,497
Miscellaneous Collections	<u>5,908</u>
 Total Additions	 <u><u>\$ 10,065,548</u></u>
 DEDUCTIONS	
Tax Disbursements to Other Governments	\$ 9,068,143
Grant Disbursements to Other Governments	991,497
Miscellaneous Disbursements	<u>5,908</u>
 Total Deductions	 <u><u>\$ 10,065,548</u></u>
 Net Increase (Decrease) in Fiduciary Net Position	 <u>\$ -</u>
 Net Position - Beginning	 <u>\$ -</u>
 Net Position - Ending	 <u><u>\$ -</u></u>

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

CAVALIER COUNTY

Combining Statement of Net Position – Discretely Presented Component Units

For the Year Ended December 31, 2021

	Water Resource District	Health District	Job Development Authority	County Library	Total
ASSETS					
Cash, Cash Equivalents and Investments	\$ 769,250	\$ 562,329	\$ 560,191	\$ 100,659	\$ 1,992,429
Other Assets	28,308	-	-	-	28,308
Accounts Receivable	6,375	-	-	-	6,375
Taxes Receivable	1,887	839	2,776	1,607	7,109
Special Assessment Receivable	165,750	-	-	-	165,750
Loans Receivable	-	-	291,153	-	291,153
Capital Assets					
Nondepreciable	-	-	778,981	-	778,981
Depreciable, Net	1,665,402	40,930	-	3,565	1,709,897
Total Assets	\$ 2,636,972	\$ 604,098	\$ 1,633,101	\$ 105,831	\$ 4,980,002
DEFERRED OUTFLOWS OF RESOURCES					
Derived from Pensions and OPEB	\$ -	\$ 229,761	\$ 57,331	\$ -	\$ 287,092
LIABILITIES					
City Loans Payable	\$ -	\$ -	\$ 204,749	\$ -	\$ 204,749
Benefits Payable	11,826	4,764	1,645	82	18,317
Interest Payable	2,497	-	-	-	2,497
Grants Received in Advance	-	-	515,926	-	515,926
Long-Term Liabilities					
Due Within One Year					
Long-Term Debt	56,927	-	-	-	56,927
Compensated Absences	-	1,430	432	454	2,316
Due Outside One Year					
Long-Term Debt	217,154	-	-	-	217,154
Compensated Absences	-	12,878	3,887	4,089	20,854
Net Pension & OPEB Liability	-	150,996	48,931	-	199,927
Total Liabilities	\$ 288,404	\$ 170,068	\$ 775,570	\$ 4,625	\$ 1,238,667
DEFERRED INFLOWS OF RESOURCES:					
Derived from Pensions and OPEB	\$ -	\$ 290,199	\$ 92,184	\$ -	\$ 382,383
Total Deferred Inflows of Resources	\$ -	\$ 290,199	\$ 92,184	\$ -	\$ 382,383
NET POSITION					
Net Investment in Capital Assets	\$ 1,388,824	\$ 40,930	\$ -	\$ 3,565	\$ 1,433,319
Restricted					
Health & Welfare	-	332,662	-	-	332,662
Conservation of Natural Resources	959,744	-	-	-	959,744
Economic Development	-	-	822,678	-	822,678
Culture & Recreation	-	-	-	97,641	97,641
Total Net Position	\$ 2,348,568	\$ 373,592	\$ 822,678	\$ 101,206	\$ 3,646,044

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

CAVALIER COUNTY

Combining Statement of Activities – Discretely Presented Component Units For the Year Ended December 31, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Water Resource	Health District	Job Development Authority	County Library	Total
Component Units									
Governmental Activities									
Water Resource District	\$ 497,252	\$ 138,575	\$ -	\$ 165,750	\$ (192,927)	\$ -	\$ -	\$ -	\$ (192,927)
Health District	578,678	91,511	558,139	42,990	-	113,962	-	-	113,962
Job Development Authority	235,523	4,923	-	84,074	-	-	(146,526)	-	(146,526)
County Library	124,669	1,148	-	-	-	-	-	(123,521)	(123,521)
Total Component Units	<u>\$ 1,436,122</u>	<u>\$ 236,157</u>	<u>\$ 558,139</u>	<u>\$ 292,814</u>	<u>\$ (192,927)</u>	<u>\$ 113,962</u>	<u>\$ (146,526)</u>	<u>\$ (123,521)</u>	<u>\$ (349,012)</u>
General Revenues									
Property Taxes					\$ 182,582	\$ 57,598	\$ 191,178	\$ 110,392	\$ 541,750
Drain Assessments					241,294	-	-	-	241,294
Sales Tax					-	-	38,420	-	38,420
Nonrestricted Grants and Contributions					-	-	-	11,311	11,311
Unrestricted Investment & Interest Earnings					2,024	1,075	16	103	3,218
Miscellaneous revenue					12,930	22,751	2,029	3,283	40,993
Total General Revenues					<u>\$ 438,830</u>	<u>\$ 81,424</u>	<u>\$ 231,643</u>	<u>\$ 125,089</u>	<u>\$ 876,986</u>
Change in Net Position					<u>\$ 245,903</u>	<u>\$ 195,386</u>	<u>\$ 85,117</u>	<u>\$ 1,568</u>	<u>\$ 527,974</u>
Net Position - January 1					<u>\$ 2,082,561</u>	<u>\$ 178,206</u>	<u>\$ 37,955</u>	<u>\$ 99,638</u>	<u>\$ 2,398,360</u>
Prior Period Adjustments					<u>\$ 20,104</u>	<u>\$ -</u>	<u>\$ 699,606</u>	<u>\$ -</u>	<u>\$ 719,710</u>
Net Assets - January 1, as restated					<u>\$ 2,102,665</u>	<u>\$ 178,206</u>	<u>\$ 737,561</u>	<u>\$ 99,638</u>	<u>\$ 3,118,070</u>
Net Position - December 31					<u>\$ 2,348,568</u>	<u>\$ 373,592</u>	<u>\$ 822,678</u>	<u>\$ 101,206</u>	<u>\$ 3,646,044</u>

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

CAVALIER COUNTY

Notes to the Financial Statements
For the Year Ended December 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Component Units

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

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

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

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

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

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

Basis of Presentation

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

CAVALIER COUNTY

Notes to the Financial Statements – Continued

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

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

The County reports the following major governmental funds:

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

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

Additionally, the County reports the following fiduciary fund types:

Custodial Funds - These funds account for assets by the County in a custodial capacity as an agent on behalf of others. The County's 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.

CAVALIER COUNTYNotes to the Financial Statements – Continued

Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

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

Capital Assets

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

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

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

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

Compensated Absences

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

Long-Term Obligations

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

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

Pension

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

Other Post-Employment Benefits (OPEB)

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

Fund Balances

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

Nonspendable Fund Balance. Nonspendable fund balances consist of amounts for loan receivables from various townships which cannot be spent.

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

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

Net Position

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

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

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

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

Interfund Transactions

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

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

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

CAVALIER COUNTY

Notes to the Financial Statements – Continued

NOTE 2 PRIOR PERIOD ADJUSTMENTS

Net position of the County as of January 1, 2021 has been restated for the net capital asset and loans payable adjustments as shown below. The result of the adjustments increased the beginning net position of the County.

Primary Government	Amounts
Beginning Net Position, as previously reported	\$ 16,041,940
Prior Period Adjustment	
Capital Assets, Net	3,450
Loans Payable	26,619
Net Position January 1, as restated	\$ 16,072,009

Discretely Presented Component Units

The fund balances of the Job Development Authority and Water Resource District as of January 1, 2021 has also been restated for the fund balance adjustment and capital asset adjustment for the Job Development Authority and for Capital Assets for the Water Resource District as shown below. The result of the adjustment increased the beginning fund balance of the Job Development Authority:

Job Development Authority	Amounts
Beginning Net Position, as previously reported	\$ 37,955
Adjustments to restate the January 1, 2021 Net Position:	
Fund Balance Adjustment	8,198
Capital Assets, Net	691,408
Net Position January 1, as restated	\$ 737,561

Water Resource District	Amounts
Beginning Net Position, as previously reported	\$ 2,082,561
Adjustments to restate the January 1, 2021 Net Position:	
Capital Assets, Net	20,104
Net Position January 1, as restated	\$ 2,102,665

NOTE 3 DEPOSITS**Custodial Credit Risk**

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

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

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

CAVALIER COUNTY

Notes to the Financial Statements – Continued

Primary Government

At year ended December 31, 2021, the County's carrying amount of deposits totaled \$11,407,304, and the bank balances totaled \$11,516,270. Of the bank balances, \$500,000 was covered by Federal Depository Insurance and \$23,903 was held at the Bank of North Dakota (not requiring collateralization). The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

Discretely Presented Component Units

At year ended December 31, 2021, the Water Resource District's carrying amount of deposits totaled \$743,913 and the bank balances totaled \$789,915. Of the bank balances, \$532,107 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2021, the Health District's carrying value of deposits totaled \$562,329 and the bank balances totaled \$571,124. Of the bank balances, \$474,490 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2021, the Job Development Authority's carrying value of deposits totaled \$560,191 and the bank balances totaled \$577,863. Of the bank balances, \$277,832 was covered by Federal Depository Insurance. The remaining bank balances of \$300,030 were uninsured and uncollateralized.

At year ended December 31, 2021, the Library's carrying amount of deposits totaled \$100,660 and bank balances totaled \$107,013, all of which was covered by Federal Depository Insurance.

NOTE 4 PROPERTY TAXES

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

NOTE 5 LOANS RECEIVABLE

Primary Government

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

Discretely Presented Component Units

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

CAVALIER COUNTY

Notes to the Financial Statements – Continued

NOTE 6 CAPITAL ASSETS**Primary Government**

The following is a summary of changes in capital assets for the County for the year ended December 31, 2021:

Primary Government	Restated Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Not Being Depreciated					
Land	\$ 30,000	\$ -	\$ -	\$ -	\$ 30,000
Construction in Progress	129,979	1,478,068	-	(1,608,047)	-
Total Capital Assets, Not Being Depreciated	\$ 159,979	\$ 1,478,068	\$ -	\$ (1,608,047)	\$ 30,000
Capital Assets Being Depreciated					
Buildings	\$ 500,000	\$ -	\$ -	\$ -	\$ 500,000
Building Improvements	1,154,837	-	-	359,960	1,514,797
Vehicles & Equipment	4,029,139	290,333	95,550	-	4,223,922
Infrastructure	14,700,700	-	-	1,248,087	15,948,787
Total Capital Assets, Being Depreciated	\$ 20,384,676	\$ 290,333	\$ 95,550	\$ 1,608,047	\$ 22,187,506
Less Accumulated Depreciation					
Buildings	\$ 320,000	\$ 5,000	\$ -	\$ -	\$ 325,000
Building Improvements	264,483	60,592	-	-	325,075
Vehicles & Equipment	2,197,836	311,605	65,143	-	2,444,298
Infrastructure	4,068,874	637,953	-	-	4,706,827
Total Accumulated Depreciation	\$ 6,851,193	\$ 1,015,150	\$ 65,143	\$ -	\$ 7,801,200
Total Capital Assets Being Depreciated, Net	\$ 13,533,483	\$ (724,817)	\$ 30,407	\$ 1,608,047	\$ 14,386,306
Primary Government Capital Assets, Net	\$ 13,693,462	\$ 753,251	\$ 30,407	\$ -	\$ 14,416,306

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

Primary Government	Amounts
General Government	\$ 44,436
Public Safety	844,755
Highways	98,090
Health and Welfare	17,456
Conservation of Natural Resources	10,413
Total Depreciation Expense - Govt. Activities	\$ 1,015,150

CAVALIER COUNTY

Notes to the Financial Statements – Continued

Discretely Presented Component Unit

The following is a summary of changes in capital assets for the year ended December 31, 2021 for the Water Resource District, Health District, Job Development Authority, and Library:

Water Resource District	Restated Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital assets not being depreciated:					
Construction in Progress	\$ 20,104	\$ 126,143	\$ -	\$ (146,247)	\$ -
Capital Assets Being Depreciated					
Vehicles & Equipment	\$ 98,737	\$ -	\$ -	\$ -	\$ 98,737
Infrastructure	3,333,687	-	-	146,247	3,479,934
Total Capital Assets, Being Depreciated	\$ 3,432,424	\$ -	\$ -	\$ 146,247	\$ 3,578,671
Less Accumulated Depreciation					
Vehicles & Equipment	\$ 71,151	\$ 9,979	\$ -	\$ -	\$ 81,130
Infrastructure	1,692,943	139,197	-	-	1,832,139
Total Accumulated Depreciation	\$ 1,764,094	\$ 149,176	\$ -	\$ -	\$ 1,913,269
Total Capital Assets Being Depreciated, Net	\$ 1,668,330	\$ (149,176)	\$ -	\$ 146,247	\$ 1,665,402
Water Resource District Capital Assets, Net	\$ 1,688,434	\$ (23,033)	\$ -	\$ -	\$ 1,665,402

Health	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Being Depreciated					
Vehicles & Equipment	\$ -	\$ 42,990	\$ -	\$ -	\$ 42,990
Total Capital Assets, Being Depreciated	\$ -	\$ 42,990	\$ -	\$ -	\$ 42,990
Less Accumulated Depreciation					
Vehicles & Equipment	\$ -	\$ 2,060	\$ -	\$ -	\$ 2,060
County Health Capital Assets, Net	\$ -	\$ 40,930	\$ -	\$ -	\$ 40,930

Job Development Authority	Restated Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital assets not being depreciated:					
Construction in Progress	\$ 691,408	\$ 87,573	\$ -	\$ -	\$ 778,981
Total Capital Assets, Not Being Depreciated	\$ 691,408	\$ 87,573	\$ -	\$ -	\$ 778,981
Job Development Authority Capital Assets, Net	\$ 691,408	\$ 87,573	\$ -	\$ -	\$ 778,981

Library	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Being Depreciated					
Vehicles & Equipment	\$ 11,884	\$ -	\$ -	\$ -	\$ 11,884
Less Accumulated Depreciation					
Vehicles & Equipment	\$ 7,130	\$ 1,189	\$ -	\$ -	\$ 8,319
County Library Capital Assets, Net	\$ 4,754	\$ (1,189)	\$ -	\$ -	\$ 3,565

Depreciation expense was charged to the conservation of natural resources function, health and welfare, economic develop, and culture and recreation for the Water Resource District, Health District, Job Development Authority, and Library, respectively.

CAVALIER COUNTY

Notes to the Financial Statements – Continued

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

During the year ended December 31, 2021, the following changes occurred in liabilities reported in long-term liabilities:

	Restated Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Primary Government					
Long-Term Debt					
Loans Payable	\$ 754,538	\$ 150,000	\$ 446,964	\$ 457,574	\$ 107,870
Compensated Absences *	\$ 412,812	\$ 40,963	\$ -	\$ 453,775	\$ 45,377
Net Pension and OPEB Liability *	9,804,327	-	6,456,389	3,347,938	-
Total Primary Government	\$ 10,971,677	\$ 190,963	\$ 6,903,353	\$ 4,259,287	\$ 153,247

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

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

Primary Government		
Year Ending Dec 31	Loans Payable	
	Principal	Interest
2022	\$ 107,870	\$ 10,361
2023	109,613	8,617
2024	112,128	6,103
2025	63,183	3,533
2026	64,780	1,936
Total	\$ 457,574	\$ 30,550

Discretely Presented Component UnitsWater Resource District

During the year ended December 31, 2021, the following changes occurred in governmental long-term liabilities of the Water Resource District:

	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Water Resource District					
Long-Term Debt					
Line of Credit Payable	\$ 177,407	\$ 125,000	\$ 28,326	\$ 274,081	\$ 56,927

The Water Resource District issued a new line of credit in 2020 in the amount of \$197,196. Through the end of 2020, the Water Resource District had used \$177,407 of the available \$197,196. The Water Resource District did not draw any of the available advances in 2021. The unused portion of the line of credit at the end of 2021 for the Water resource District was \$19,789.

Additionally, The Water Resource District issued a new line of credit in 2021 in the amount of \$200,000. Through the end of 2021, the Water Resource District had drawn down \$125,000 of the available \$200,000. The unused portion of the line of credit at the end of 2021 for the Water resource District was \$75,000.

CAVALIER COUNTY

Notes to the Financial Statements – Continued

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

Water Resource District		
Year Ending Dec 31	Line of Credit Payable	
	Principal	Interest
2022	\$ 56,927	\$ 3,330
2023	56,761	3,496
2024	57,685	2,572
2025	58,624	1,634
2026	36,283	679
2027-2031	7,801	117
Total	\$ 274,081	\$ 11,828

The Line of Credit Payables have not fully been drawn down. The amortization schedule is based on the amount drawn down as of 12/31/2021. The 2020 line of credit matures on April 1, 2027 with an interest rate of 1.50% and the 2021 line of credit matures on 4/1/2028 with an interest rate of 1.75%.

Public Health District

During the year ended December 31, 2021, the following changes occurred in governmental long-term liabilities of the Health District:

Health District	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 12,813	\$ 1,495	\$ -	\$ 14,308	\$ 1,430
Net Pension and OPEB Liability *	333,973	-	182,977	150,996	-
Total Health District	\$ 346,786	\$ 1,495	\$ 182,977	\$ 165,304	\$ 1,430

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

Job Development Authority

During the year ended December 31, 2021, the following changes occurred in governmental long-term liabilities of the Job Development Authority:

Job Development Authority	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt Loans Payable	\$ 6,171	\$ -	\$ 6,171	\$ -	\$ -
Compensated Absences *	\$ 5,179	\$ -	\$ 860	\$ 4,319	\$ 432
Net Pension and OPEB Liability *	145,203	-	96,272	48,931	-
Total Job Development Authority	\$ 156,553	\$ -	\$ 103,303	\$ 53,250	\$ 432

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

During 2019, the Job Development Authority entered into a \$40,000 line of credit agreement with maturity date of April 15, 2022. As of the end of 2021, the Job Development Authority had used \$20,000 of the available \$40,000 and had paid it off. The unused portion of the line of credit at the end 2021 for the Job Development Authority was \$20,000.

CAVALIER COUNTY

Notes to the Financial Statements – Continued

Library

During the year ended December 31, 2021, the following changes occurred in governmental long-term liabilities of the Library:

Library	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 4,890	\$ -	\$ 347	\$ 4,543	\$ 454

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

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

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

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

CAVALIER COUNTY

Notes to the Financial Statements – Continued

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, 2021, the following net pension liabilities were reported:

	Net Pension Liability
County	\$ 3,180,945
Health District	145,182
Job Development Authority	46,362

The net pension liability was measured as of June 30, 2021, 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 its 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, 2021, the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2020 Measurements	Pension Expense
County	0.305185%	0.001403%	\$ 784,125
Health District	0.013929%	0.003581%	33,510
Job Development Authority	0.004448%	-0.000051%	6,641

CAVALIER COUNTY

Notes to the Financial Statements – Continued

At December 31, 2021, the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were reported:

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 54,918	\$ 324,659
Changes in Assumptions	3,520,688	4,590,242
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	1,179,762
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	818,562	4,202
Contributions - Employer	128,568	-
Total Primary Government	\$ 4,522,736	\$ 6,098,865

Health District	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 2,506	\$ 14,818
Changes in Assumptions	160,688	209,504
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	53,846
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	52,225	9,863
Contributions - Employer	11,041	-
Total Health District	\$ 226,460	\$ 288,031

Job Development Authority	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 802	\$ 4,732
Changes in Assumptions	51,313	66,902
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	17,195
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	348	2,362
Contributions - Employer	3,601	-
Total Job Development Authority	\$ 56,064	\$ 91,191

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, 2022:

County	\$ 128,568
Health District	11,041
Job Development Authority	3,601

CAVALIER COUNTY

Notes to the Financial Statements – Continued

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

Year	County	Health District	Job Development Authority
2022	\$ (77,876)	\$ (5,222)	\$ (5,748)
2023	(280,011)	(14,865)	(8,843)
2024	(203,486)	(10,053)	(7,262)
2025	(1,143,324)	(42,472)	(16,875)

Actuarial Assumptions

The total pension liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equities	30%	6.00%
International Equities	21%	6.70%
Private Equity	7%	9.50%
Domestic Fixed Income	23%	0.73%
International Fixed Income	0%	0.00%
Global Real Assets	19%	4.77%
Cash Equivalents	0%	0.00%

CAVALIER COUNTY

Notes to the Financial Statements – Continued

Discount rate

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 1.92%; and the resulting Single Discount Rate is 7.00%.

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

Proportionate Share of the Net Pension Liability	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
County	\$ 5,058,772	\$ 3,180,945	\$ 1,617,359
Health District	230,888	145,182	73,818
Job Development Authority	73,730	46,362	23,573

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.

CAVALIER COUNTY

Notes to the Financial Statements – Continued

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

OPEB Benefits

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

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

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

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

At December 31, 2021, the following net OPEB liabilities were reported:

	Net OPEB Liability
County	\$ 166,993
Health District	5,814
Job Development Authority	2,569

CAVALIER COUNTY

Notes to the Financial Statements – Continued

The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The proportion of the net OPEB liability was based on the its share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2021, the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2020 Measurements	OPEB Expense
County	0.300253%	0.006291%	\$ 35,180
Health District	0.010454%	0.000441%	840
Job Development Authority	0.004619%	0.000265%	366

At December 31, 2021, the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were reported:

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 9,590	\$ 4,577
Changes of Assumptions	25,861	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	57,216
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	48,880	850
Contributions - Employer	20,585	-
Total Primary Government	\$ 104,916	\$ 62,643

Health District	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 334	\$ 159
Changes of Assumptions	900	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	1,992
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	299	17
Contributions - Employer	1,768	-
Total Health District	\$ 3,301	\$ 2,168

Job Development Authority	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 147	\$ 70
Changes of Assumptions	398	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	880
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	145	43
Contributions - Employer	577	-
Total Job Development Authority	\$ 1,267	\$ 993

CAVALIER COUNTY

Notes to the Financial Statements – Continued

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, 2022:

County	\$ 20,585
Health District	1,768
Job Development Authority	577

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

Year	County	Health District	Job Development Authority
2022	\$ 8,903	\$ (74)	\$ (38)
2023	8,491	(86)	(45)
2024	5,991	(172)	(86)
2025	(2,683)	(340)	(154)
2026	986	37	20

Actuarial assumptions

The total OPEB liability in the July 1, 2021 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 or return	6.50%, net of investment expenses
Cost of living adjustments	None

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	5.85%
Small Cap Domestic Equities	6%	6.75%
Domestic Fixed Income	40%	0.50%
International Equities	21%	6.25%

CAVALIER COUNTY

Notes to the Financial Statements – Continued

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. 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, 2021, calculated using the discount rate of 6.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

Proportionate Share of the Net OPEB Liability	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
County	\$ 247,672	\$ 166,993	\$ 98,726
Health District	8,623	5,814	3,437
Job Development Authority	3,810	2,569	1,519

NOTE 10 RISK MANAGEMENT

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

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

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

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

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

NOTE 11 TRANSFERS

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

CAVALIER COUNTYNotes to the Financial Statements – Continued

NOTE 12 JOINT VENTURES

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

Unaudited summary financial information for the year ended December 31, 2021 is as follows:

	Devils Lake Basin Joint WRD
Total Assets	\$ 225,149
Total Liabilities	-
Total Net Position	\$ 225,149
Total Revenues	\$ 171,391
Total Expenses	173,713
Change in Net Position	\$ (2,322)

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

NOTE 14 CONDUIT DEBT

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

As of December 31, 2021, there was one series of Community Development Block Grant Loans outstanding, with an aggregate principal amount payable of \$82,932.

NOTE 15 SUBSEQUENT EVENTS

On July 18, 2022 the Cavalier County Job Development Authority reached agreement to sell the missile site to BitZero in the amount of \$250,000. Additionally, it was noted in the agreement that certain provisions needed to be met by BitZero, if not then BitZero would pay an additional \$250,000.

CAVALIER COUNTY

Budgetary Comparison Schedule – General Fund

For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 1,896,948	\$ 1,896,948	\$ 1,913,845	\$ 16,897
Intergovernmental	697,079	697,079	1,140,317	443,238
Charges for Services	453,764	453,764	449,373	(4,391)
Licenses, Permits and Fees	2,750	2,750	4,020	1,270
Interest Income	50,000	50,000	69,685	19,685
Miscellaneous	34,615	34,615	87,383	52,768
Total Revenues	\$ 3,135,156	\$ 3,135,156	\$ 3,664,623	\$ 529,467
EXPENDITURES				
Current				
General Government	\$ 2,101,385	\$ 2,339,742	\$ 1,872,445	\$ 467,297
Public Safety	1,419,353	1,657,710	1,548,241	109,469
Health and Welfare	51,517	51,517	159,958	(108,441)
Other	28,000	28,000	28,500	(500)
Debt Service				
Principal	-	-	226,520	(226,520)
Interest & Service Charges	-	-	3,888	(3,888)
Total Expenditures	\$ 3,600,255	\$ 4,076,969	\$ 3,839,552	\$ 237,417
Excess (Deficiency) of Revenues Over Expenditures	\$ (465,099)	\$ (941,813)	\$ (174,929)	\$ 766,884
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 29,100	\$ 29,100
Sales of Capital Assets	-	-	12,000	\$ 12,000
Transfers out	-	-	(78,008)	(78,008)
Total Other Financing Sources and Uses	\$ -	\$ -	\$ (36,908)	\$ (36,908)
Net Change in Fund Balances	\$ (465,099)	\$ (941,813)	\$ (211,837)	\$ 729,976
Fund Balance - January 1	\$ 3,580,536	\$ 3,580,536	\$ 3,580,536	\$ -
Fund Balance - December 31	\$ 3,115,437	\$ 2,638,723	\$ 3,368,699	\$ 729,976

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

CAVALIER COUNTY

Budgetary Comparison Schedule – Special Revenue Fund

For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 2,169,662	\$ 2,169,662	\$ 2,158,229	\$ (11,433)
Intergovernmental	3,554,535	3,554,535	3,457,454	(97,081)
Charges for services	448,600	448,600	428,318	(20,282)
Miscellaneous	10,000	10,000	19,793	9,793
Total Revenues	<u>\$ 6,182,797</u>	<u>\$ 6,182,797</u>	<u>\$ 6,063,794</u>	<u>\$ (119,003)</u>
EXPENDITURES				
Current				
General Government	\$ 10,000	\$ 21,565	\$ 15,924	\$ 5,641
Public Safety	169,865	323,638	323,446	192
Highways & Bridges	2,408,305	2,408,307	2,101,585	306,722
Health & Welfare	3,023,260	3,151,362	3,158,654	(7,292)
Flood	-	14,940	14,940	-
Conservation of Natural Resources	385,387	385,387	304,043	81,344
Debt Service				
Principal	-	-	220,444	(220,444)
Interest	-	-	12,960	(12,960)
Total Expenditures	<u>\$ 5,996,817</u>	<u>\$ 6,305,199</u>	<u>\$ 6,151,996</u>	<u>\$ 153,203</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 185,980</u>	<u>\$ (122,402)</u>	<u>\$ (88,202)</u>	<u>\$ 34,200</u>
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	\$ -	\$ -	\$ 150,000	\$ 150,000
Sales of Capital Asset	-	-	1,644	1,644
Transfers in	-	-	989,830	989,830
Transfers out	-	-	(940,922)	(940,922)
Total Other Financing Sources and Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,552</u>	<u>\$ 200,552</u>
Net Change in Fund Balances	<u>\$ 185,980</u>	<u>\$ (122,402)</u>	<u>\$ 112,350</u>	<u>\$ 234,752</u>
Fund Balances - January 1	<u>\$ 4,226,616</u>	<u>\$ 4,226,616</u>	<u>\$ 4,226,616</u>	<u>\$ -</u>
Fund Balances - December 31	<u><u>\$ 4,412,596</u></u>	<u><u>\$ 4,104,214</u></u>	<u><u>\$ 4,338,966</u></u>	<u><u>\$ 234,752</u></u>

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

CAVALIER COUNTY

Schedule of Employer's Share of Net Pension Liability and Employer Contributions
For the Year Ended December 31, 2021

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

COUNTY	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.305185%	\$ 3,180,945	\$ 3,455,884	92.04%	78.60%
2020	0.303782%	9,557,047	3,351,077	285.19%	48.91%
2019	0.200146%	2,345,856	2,081,858	112.68%	71.66%
2018	0.195599%	3,300,946	2,009,422	164.27%	62.80%
2017	0.197433%	3,173,396	2,015,477	157.45%	61.98%
2016	0.191985%	1,871,081	1,934,759	96.71%	70.46%
2015	0.203720%	1,385,261	1,814,902	76.33%	77.15%
2014	0.195652%	1,241,845	1,648,126	75.35%	77.70%

HEALTH	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.013929%	\$ 145,182	\$ 157,727	92.05%	78.60%
2020	0.010348%	325,550	114,147	285.20%	48.91%
2019	0.012051%	141,246	125,346	112.68%	71.66%
2018	0.011818%	199,442	121,410	164.27%	62.80%
2017	0.011507%	184,955	117,468	157.45%	61.98%
2016	0.011189%	109,048	112,758	96.71%	70.46%
2015	0.012405%	84,352	110,511	76.33%	77.15%
2014	0.012858%	81,612	108,312	75.35%	77.70%

JDA	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.004448%	\$ 46,362	\$ 50,364	92.05%	78.60%
2020	0.004499%	141,540	49,632	285.18%	48.91%
2019	0.004701%	55,099	48,900	112.68%	71.66%
2018	0.004690%	79,149	48,186	164.26%	62.80%
2017	0.004578%	73,583	46,734	157.45%	61.98%
2016	0.004465%	43,516	45,000	96.70%	70.46%
2015	0.004849%	32,972	43,200	76.32%	77.15%
2014	0.004737%	30,067	39,900	75.36%	77.70%

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

CAVALIER COUNTY

Schedule of Employer's Share of Net Pension Liability and Employer Contributions – Continued
 For the Year Ended December 31, 2021

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

COUNTY	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2021	\$ 254,856	\$ 251,485	3,371	\$ 3,572,765	7.04%
2020	237,286	199,080	38,206	3,479,365	5.72%
2019	151,571	150,013	1,558	2,081,858	7.21%
2018	148,003	149,496	(1,493)	2,009,422	7.44%
2017	146,147	144,410	1,737	2,015,477	7.17%
2016	140,073	139,245	828	1,934,759	7.20%
2015	137,856	131,433	6,423	1,814,902	7.24%
2014	117,347	117,347	-	1,648,126	7.12%

HEALTH	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2021	\$ 11,632	\$ 11,419	\$ 213	\$ 161,565	7.07%
2020	8,083	13,580	(5,497)	141,840	9.57%
2019	9,126	8,924	202	125,346	7.12%
2018	8,942	8,644	298	121,410	7.12%
2017	8,518	8,364	154	117,468	7.12%
2016	8,164	8,680	(516)	112,758	7.70%
2015	8,394	7,868	526	110,511	7.12%
2014	7,712	7,712	-	108,312	7.12%

JDA	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2021	\$ 3,714	\$ 3,586	\$ 128	\$ 52,136	6.88%
2020	3,514	3,534	(20)	50,368	7.02%
2019	3,560	3,482	78	48,900	7.12%
2018	3,549	3,431	118	48,186	7.12%
2017	3,389	3,328	61	46,734	7.12%
2016	3,258	3,465	(207)	45,000	7.70%
2015	3,281	3,076	205	43,200	7.12%
2014	2,841	2,841	-	39,900	7.12%

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

CAVALIER COUNTY

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions
For the Year Ended December 31, 2021

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

COUNTY	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2021	0.300253%	\$ 166,993	\$ 3,273,530	5.10%	76.63%
2020	0.293962%	247,280	3,351,077	7.38%	63.38%
2019	0.186570%	149,851	2,081,858	7.20%	63.13%
2018	0.183640%	144,629	2,009,422	7.20%	61.89%
2017	0.186301%	147,366	2,015,477	7.31%	59.78%

HEALTH	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2021	0.010454%	\$ 5,814	\$ 113,976	5.10%	76.63%
2020	0.010013%	8,423	114,147	7.38%	63.38%
2019	0.011233%	9,022	125,346	7.20%	63.13%
2018	0.011096%	8,739	121,410	7.20%	61.89%
2017	0.010858%	8,589	117,468	7.31%	59.78%

JDA	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2021	0.004619%	\$ 2,569	\$ 50,364	5.10%	76.63%
2020	0.004354%	3,663	49,632	7.38%	63.38%
2019	0.004382%	3,520	48,900	7.20%	63.13%
2018	0.004404%	3,468	48,186	7.20%	61.89%
2017	0.004320%	3,417	46,734	7.31%	59.78%

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

CAVALIER COUNTY

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions – Continued
 For the Year Ended December 31, 2021

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

COUNTY	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2021	\$ 39,365	\$ 38,892	473	\$ 3,572,765	1.09%
2020	39,368	31,875	7,493	3,479,365	0.92%
2019	24,212	24,019	193	2,081,858	1.15%
2018	23,569	23,936	(367)	2,009,422	1.19%
2017	23,429	23,122	307	2,015,477	1.15%

HEALTH	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	County's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2021	\$ 1,371	\$ 1,299	\$ 72	\$ 161,565	0.80%
2020	1,341	2,192	(851)	141,840	1.55%
2019	1,458	1,429	29	125,346	1.14%
2018	1,424	1,384	40	121,410	1.14%
2017	1,365	1,339	26	117,468	1.14%

JDA	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2021	\$ 606	\$ 574	\$ 32	\$ 52,136	1.10%
2020	583	566	17	50,368	1.12%
2019	569	558	11	48,900	1.14%
2018	565	549	16	48,186	1.14%
2017	543	533	10	46,734	1.14%

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

CAVALIER COUNTY

Notes to the Required Supplementary Information
For the Year Ended December 31, 2021

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 decreased from 7.00 percent to 6.50 percent effective January 1, 2021 (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 increased 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, 2020.

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, 2020.

CAVALIER COUNTYNotes to the Required Supplementary Information - Continued

NOTE 4: CHANGES OF ASSUMPTIONS – PENSION AND OPEB

All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2020 for both Pension and OPEB.

NOTE 5 LEGAL COMPLIANCE - BUDGETS

The board of County commissioners amended the budget for 2021 as follows::

	EXPENDITURES		
	Original Budget	Budget Amendment	Amended Budget
Major Funds			
General	\$ 3,600,255	\$ 476,714	\$ 4,076,969
Special Revenue	5,996,817	308,382	6,305,199

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

Independent Auditor's Report

Board of County Commissioners
Cavalier County
Langdon, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cavalier County as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Cavalier County's basic financial statements, and have issued our report thereon dated November 17, 2022.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of audit findings as item 2021-001, 2021-002, 2021-003, 2021-004, 2021-005, 2021-006, 2021-007, and 2021-008 that we consider to be material weaknesses.

CAVALIER COUNTY

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cavalier County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which are described in the accompanying *schedule of audit findings* as 2021-001, 2021-002, and 2021-003.

Cavalier County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Cavalier County's response to the findings identified in our audit and described in the accompanying *schedule of audit findings*. Cavalier County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
November 17, 2022

CAVALIER COUNTY

Summary of Auditor's Results

For the Year Ended December 31, 2021

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?

 X

Yes

None Noted

Significant deficiencies identified not considered
to be material weaknesses?

Yes

 X

None Noted

Noncompliance material to financial statements
noted? X

Yes

None Noted

2021-001 BUDGET PREPARATION – MATERIAL NONCOMPLIANCE – MATERIAL WEAKNESS

Condition

Cavalier County did not prepare a budget in compliance with all attributes of N.D.C.C. §11-23-02.

Effect

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

Cause

Cavalier County may not have been aware of the compliance requirements of N.D.C.C §11-23-02.

Criteria

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

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

Repeat Finding

Yes.

Recommendation

We recommend that Cavalier County ensure its in compliance with all aspects of N.D.C.C §11-23-02.

Cavalier County's Response

We agree. Cavalier County is working on preparing a budget in compliance with N.D.C.C §11-23-02. In addition, we are using the budget file the SAO created to assist in the 2022 budget to assist in compliance with N.D.C.C §11-23-02.

2021-002 LEVY CALCULATION – MATERIAL NONCOMPLIANCE – MATERIAL WEAKNESS

Condition

Cavalier County did not have supporting documentation for its mill levy calculation to ensure the computation is in accordance with N.D.C.C. §57-15-31(1).

Effect

The attributes identified in N.D.C.C §57-15-31 are key components in the tax levy calculation in any budget year. Thus, Cavalier County may have improperly calculated the tax levies.

Cause

Cavalier County may not have been aware of the requirements of N.D.C.C §57-15-31(1).

Criteria

N.D.C.C. §57-15-31(1) states, “The amount to be levied by any county, city, township, school district, park district, or other municipality authorized to levy taxes must be computed by deducting from the amount of estimated expenditures for the current fiscal year as finally determined, plus the required reserve fund determined upon by the governing board from the past experience of the taxing district, the total of the following items:

- a. The available surplus consisting of the free and unencumbered cash balance;
- b. Estimated revenues from sources other than direct property taxes;
- c. The total estimated collections from tax levies for previous years;
- d. Expenditures that must be made from bond sources;
- e. The amount of distributions received from an economic growth increment pool under section 57-15-61; and
- f. The estimated amount to be received from payments in lieu of taxes on a project under section 40-57.1-03.

Repeat Finding

No.

Recommendation

We recommend Nelson County maintain supporting documentation for all elements required for its mill levy calculation to ensure the computation is in compliance with all aspects of N.D.C.C. §57-15-31(1).

Cavalier County’s Response

Agree. Nelson County will review the county’s budget to ensure compliance with N.D.C.C. §57-15-31(1). In addition, we are using the budget file the SAO created to assist in the 2022 budget to assist in compliance with N.D.C.C §57-15-31(1).

CAVALIER COUNTYSchedule of Audit Findings – Continued

**2021-003 UNDERPLEDGED SECURITIES – JOB DEVELOPMENT AUTHORITY – MATERIAL
NONCOMPLIANCE – MATERIAL WEAKNESS****Condition**

The Cavalier County Job Development Authority did not obtain adequate pledge of assets at Farmers & Merchants State Bank as of December 31, 2021. The Job Development Authority was under pledged by \$330,033.

Effect

The Cavalier County Job Development Authority is not in compliance with N.D.C.C. §21-04-09.

Cause

The Cavalier County Job Development Authority did not have a process to ensure the entity is adequately pledged.

Criteria

N.D.C.C. §21-04-09 states "When securities are pledged to the board of any public corporation, the treasurer or other individual legally charged with the custody of public funds shall require security in the amount of one hundred ten dollars for every one hundred dollars of public deposits."

Repeat Finding

No.

Recommendation

We recommend that the Cavalier County Job Development Authority ensure that it maintains adequate pledges of securities at any bank where the bank balances could exceed FDIC Insurance.

Cavalier County Job Development Authority's Response

Agree. The Cavalier County Job Development Authority will make sure that we maintain the proper level of pledged assets. Additionally, the JDA has already obtained a Pledge of Securities from Farmers and Merchants State Bank.

2021-004 LACK OF SEGREGATION OF DUTIES – COMPONENT UNITS – MATERIAL WEAKNESS

Condition

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

Effect

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

Cause

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

Criteria

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

Repeat Finding

Yes.

Recommendation

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

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

Cavalier County Component Units Response

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

2021-005 IMPROPER BANK RECONCILIATIONS – WATER RESOURCE DISTRICT – MATERIAL WEAKNESS

Condition

The Cavalier County Water Resource District's bank reconciliation presented a net difference of \$19,324 as of December 31, 2021 in comparison to its balance sheet.

Effect

The financial statements may have been materially misstated without the proposed audit adjustments. Furthermore, the 2021 cash balance would have been overstated by \$19,324.

Cause

The Cavalier County Water Resource District's bank reconciliation register balance did not agree to the balance sheet due to including various voided checks and deposits in the amounts of \$25,282 on the December 2021 bank reconciliation as well as a carryforward adjustment that was not fixed in the amount of \$44,606 for a net difference of \$19,324.

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 the bank reconciliations, management is responsible policies and procedures for accurate and timely bank reconciliations.

Repeat Finding

Yes.

Recommendation

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

Cavalier County Water Resource District Response

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

CAVALIER COUNTYSchedule of Audit Findings – Continued

2021-006 IMPROPER PAYABLE RECORDING – WATER RESOURCE DISTRICT – MATERIAL WEAKNESS**Condition**

The Cavalier County Water Resource District improperly recorded \$25,475 of negative accounts payable on the Balance Sheet.

Effect

The financial statements may have been materially misstated without the proposed audit adjustments. Furthermore, 2021 expenditures would have been understated by \$25,475.

Cause

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

Criteria

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

Repeat Finding

Yes.

Recommendation

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

Cavalier County Water Resource District Response

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

2021-007 CAPITAL ASSET MAINTENANCE – JOB DEVELOPMENT AUTHORITY – MATERIAL WEAKNESS

Condition

Cavalier County Job Development Authority did not include a Construction in Progress Project in the amount of \$778,982 in 2021. An adjustment to increase capital assets was proposed and accepted by Cavalier County Job Development Authority.

Effect

The financial statements may have been materially misstated if capital assets had not been adjusted during the audit.

Cause

Cavalier County Job Development Authority does not have a person other than the preparer review the general ledger for capital assets.

Criteria

Cavalier County Job Development Authority is responsible to ensure the financial statements are reliable, free of material misstatement, and in accordance with GAAP.

Repeat Finding

No.

Recommendation

We recommend Cavalier County Job Development Authority review the general ledger to ensure all capital assets are properly reported in the financial statements to properly reflect the financial statements are in accordance with GAAP.

Cavalier County Job Development Authority Response

The Cavalier County Job Development Authority will review the general ledger to ensure all costs applicable to capital assets are included in the financial statements. Cavalier County JDA will provide a Profit and Loss by Class that segregates all expenses to the SRMC Site.

2021-008 AUDIT ADJUSTMENTS – JOB DEVELOPMENT AUTHORITY – MATERIAL WEAKNESS

Condition

A material audit adjustment for \$515,926 was made to record a grants received in advance liability for the Cavalier County JDA.

Effect

Inadequate internal controls over recording of transactions affects Cavalier County Job Development Authority's ability to detect misstatements in amounts that could be material in relation to the financial statements.

Cause

Cavalier County Job Development Authority management does not have sufficient procedures in place to ensure adjusting entries used to compile the financial statements are reviewed.

Criteria

Cavalier County Job Development Authority is responsible for the adjusting entries to its annual financial statements and to ensure the financial statements are reliable, free of material misstatement, and in accordance with GAAP.

Repeat Finding

No.

Recommendation

We recommend Cavalier County Job Development Authority review adjusting entries to they are accurate and correctly presented in the financial statements in accordance with GAAP.

Cavalier County Job Development Authority Response

Agree. Cavalier County Job Development Authority will review all adjusting entries to ensure they are free of material misstatements and in accordance with GAAP. Additionally, Cavalier County JDA will provide a Profit and Loss by Class that segregates all expenses related to the SRMSC site.

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GOVERNANCE COMMUNICATION

November 17, 2022

Board of County Commissioners
Cavalier County
Langdon, North Dakota

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Cavalier County, North Dakota, for the year ended December 31, 2021. Professional standards require that we provide you with information about our responsibilities under general accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 2, 2022. Professional standards also require that we communicate to you with the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Cavalier County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by Cavalier County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 governmental activities financial statements were:

Management's estimate of the useful lives of capital assets is based on past history of each classification of capital assets. We evaluated the key factors and assumptions used to develop the useful lives capital assets in determining that is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

CAVALIER COUNTY

Governance Communication – Continued

Corrected and Uncorrected Misstatements

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

	Debit	Credit
PRIMARY GOVERNMENT		
Government Wide Adjustments		
<i><u>To record additional Depreciation Expense</u></i>		
Expenditures	17,869	-
Capital Assets, Net	-	17,869
<i><u>To reclass Capital Assets</u></i>		
Capital Assets, Depreciable	364,739	-
Capital Assets, Non-Depreciable	-	364,739
WATER RESOURCE DISTRICT		
<i><u>To record Prior Period Adjustment for Capital Assets</u></i>		
Capital Assets, Net	20,104	-
Net Position	-	20,104
<i><u>To record additional Depreciation Expense</u></i>		
Expenditures	804	-
Capital Assets, Net	-	804
<i><u>To record cash adjustment for reconciling items</u></i>		
Cash Adjustment	25,282	-
Property Taxes	4,035	-
Expenditures	-	29,317
<i><u>To reclass Revenue and Expenditures</u></i>		
Expenditures	18,048	-
Miscellaneous Revenue	939	-
Drain Assessments	-	18,987
JOB DEVELOPMENT AUTHORITY		
<i><u>To record Prior Period Adjustment for Capital Assets</u></i>		
Capital Assets, Net	691,408	-
Net Position	-	691,408
<i><u>To record Capital Asset Additions</u></i>		
Capital Assets, Net	87,574	-
Expenditures	-	87,574
<i><u>To record Capital Asset Capital Contribution</u></i>		
Operating Grants and Contributions	84,074	-
Capital Grants and Contributions	-	84,074
<i><u>To record Grants Received in Advance</u></i>		
Revenue	515,926	-
Grants Received in Advance	-	515,926
<i><u>To reclass Revenue and Expenditures</u></i>		
Revenue	59,168	-
Expenditures	-	59,168

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 November 17, 2022.

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.

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.

Other Matters

We applied certain limited procedures to the *budgetary comparison information, 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* which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Board of County Commissioners and management of Cavalier 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 Cavalier County for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve Cavalier County.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
November 17, 2022



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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