



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Pembina County

Cavalier, North Dakota

Audit Report for the Year Ended December 31, 2021

Client Code: PS34000



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Office of the
State Auditor

PEMBINA COUNTY

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PEMBINA COUNTY

County Officials

December 31, 2021

COUNTY OFFICIALS

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

STATE AUDITOR
Joshua C. Gallion



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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Pembina County
Cavalier, 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 Pembina County, North Dakota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Pembina County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 Pembina County, North Dakota, as of December 31, 2021, and the respective changes in financial position, thereof for the year then ended 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 Pembina County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 misstatements. 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.

PEMBINA COUNTY

Independent Auditor's Report – Continued

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 Pembina 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 Responsibilities 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 Pembina 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 Pembina 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* be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pembina County's basic financial statements. The *schedule of expenditures of federal awards – water resource district* and *notes to the schedule of expenditures of federal awards*, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *schedule of expenditures of federal awards – water resource district* and *notes to the schedule of expenditures of federal awards* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2022 on our consideration of Pembina County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pembina County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pembina County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
December 27, 2022

PEMBINA COUNTY
Statement of Net Position
December 31, 2021

	Primary	Component Units	
	Government	Water	Job
	Governmental	Resource	Development
	Activities	District	Authority
ASSETS			
Cash and Investments	\$ 5,618,584	\$ 2,541,844	\$ 133,945
Intergovernmental Receivable	209,647	60,745	677
Accounts Receivable	67,849	-	-
Special Assessments Receivable	-	38,891	-
Road Accounts Receivable	32,319	-	-
Taxes Receivable	78,182	6,233	2,823
Loans Receivable	-	-	399,167
Capital Assets			
Nondepreciable	4,900	479,002	-
Depreciable, Net	12,819,747	14,138,750	-
Total Assets	\$ 18,831,228	\$ 17,265,465	\$ 536,612
DEFERRED OUTFLOWS OF RESOURCES			
Pensions & OPEB	\$ 2,716,865	\$ 63,867	\$ -
Total Assets and Deferred Outflows of Resources	\$ 21,548,093	\$ 17,329,332	\$ 536,612
LIABILITIES			
Accounts Payable	\$ 110,123	\$ 97,210	\$ -
Salaries Payable	22,024	6,786	-
Interest Payable	-	85,111	-
Grants Received in Advance	742,048	-	-
Retainage Payable	-	23,950	-
Long-Term Liabilities			
Due Within One Year			
Long-Term Debt	-	476,876	-
Compensated Absences Payable	17,247	774	-
Due After One Year			
Long-Term Debt	-	4,177,173	-
Compensated Absences Payable	155,224	6,965	-
Net Pension and OPEB Liability	2,299,930	53,520	-
Total Liabilities	\$ 3,346,596	\$ 4,928,365	\$ -
DEFERRED INFLOWS OF RESOURCES			
Pensions & OPEB	\$ 4,786,934	\$ 111,394	\$ -
Total Liabilities and Deferred Inflows of Resources	\$ 8,133,530	\$ 5,039,759	\$ -
NET POSITION			
Net Investment in Capital Assets	\$ 12,824,647	\$ 9,854,642	\$ -
Restricted			
Conservation of Natural Resources	68,411	-	-
Emergencies	617,041	-	-
Economic Development	-	-	137,445
Loans	-	-	399,167
General Government	8,642	-	-
Unrestricted	(104,178)	2,434,931	-
Total Net Position	\$ 13,414,563	\$ 12,289,573	\$ 536,612

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

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

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units	
					Governmental Activities	Water Resource District	Job Development Authority
Primary Government							
Governmental Activities							
General Government	\$ 2,584,548	\$ 145,858	\$ -	\$ -	\$ (2,438,690)		
Public Safety	1,686,612	431,141	97,527	-	(1,157,944)		
Health and Welfare	524,606	141,859	222,416	-	(160,331)		
Economic Development	23,000	-	-	-	(23,000)		
Highways	1,832,961	119,150	817,513	12,825	(883,473)		
Flood Repair	174,077	-	142,876	-	(31,201)		
Conserv. of Natural Resources	329,367	18,242	-	-	(311,125)		
Total Primary Government	\$ 7,155,171	\$ 856,250	\$ 1,280,332	\$ 12,825	\$ (5,005,764)		
Component Units							
Water Resource District	\$ 4,300,958	\$ 1,711,498	\$ 1,425,204	\$ 288,421	\$ (875,835)	\$ -	
Job Development Authority	140,442	-	-	-	-	(140,442)	
Total Component Units	\$ 4,441,400	\$ 1,711,498	\$ 1,425,204	\$ 288,421	\$ (875,835)	\$ (140,442)	
General Revenues							
Property Taxes					\$ 4,226,351	\$ 229,761 \$ 158,566	
Nonrestricted Grants and Contributions					701,911	8,889 8,787	
Unrestricted Investment Earnings					41,485	8,009 1,164	
Net Gain on Sale of Capital Assets					2,222	- -	
Miscellaneous Revenue					449,539	29,282 -	
Total General Revenues					\$ 5,421,508	\$ 275,941 \$ 168,517	
Change in Net Position					\$ 415,744	\$ (599,894) \$ 28,075	
Net Position - January 1					\$ 12,998,819	\$ 12,889,467 \$ 519,443	
Prior Period Adjustment					\$ -	\$ - \$ (10,906)	
Net Position - January 1, as restated					\$ 12,998,819	\$ 12,889,467 \$ 508,537	
Net Position - December 31					\$ 13,414,563	\$ 12,289,573 \$ 536,612	

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

PEMBINA COUNTY

Balance Sheet – Governmental Funds

December 31, 2021

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 2,971,178	\$ 2,647,406	\$ 5,618,584
Intergovernmental Receivable	86,365	123,282	209,647
Accounts Receivable	55,730	12,119	67,849
Road Receivable	-	32,319	32,319
Taxes Receivable	58,604	19,578	78,182
Total Assets	\$ 3,171,877	\$ 2,834,704	\$ 6,006,581
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 59,735	\$ 50,388	\$ 110,123
Salaries Payable	253	21,771	22,024
Grants Received in Advance	-	742,048	742,048
Total Liabilities	\$ 59,988	\$ 814,207	\$ 874,195
Deferred Inflows of Resources			
Road Receivable	\$ -	\$ 32,319	\$ 32,319
Taxes Receivable	58,604	19,578	78,182
Total Deferred Inflows of Resources	\$ 58,604	\$ 51,897	\$ 110,501
Total Liabilities and Deferred Inflows of Resources	\$ 118,592	\$ 866,104	\$ 984,696
Fund Balances			
Restricted			
Highways and Bridges	\$ -	\$ 904,947	\$ 904,947
Health and Welfare	-	166,907	166,907
Public Safety	-	107,366	107,366
Conservation of Natural Resources	-	164,879	164,879
Emergencies	-	615,859	615,859
General Government	-	8,642	8,642
Unassigned	3,053,285	-	3,053,285
Total Fund Balances	\$ 3,053,285	\$ 1,968,600	\$ 5,021,885
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,171,877	\$ 2,834,704	\$ 6,006,581

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

PEMBINA COUNTY

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position
December 31, 2021

Total Fund Balances of Governmental Funds		\$ 5,021,885
Total <i>net position</i> reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		12,824,647
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	\$ 78,182	
Road Accounts Receivable	<u>32,319</u>	110,501
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred Outflows Derived From Pensions and OPEB	\$ 2,716,865	
Deferred Inflows Derived From Pensions and OPEB	<u>(4,786,934)</u>	(2,070,069)
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.		
Compensated Absences Payable	\$ (172,471)	
Net Pension and OPEB Liability	<u>(2,299,930)</u>	<u>(2,472,401)</u>
Net Position of Governmental Activities		<u>\$ 13,414,563</u>

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

PEMBINA 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	\$ 3,238,384	\$ 1,055,408	\$ 4,293,792
Intergovernmental	751,729	1,230,514	1,982,243
Charges for Services	617,542	251,828	869,370
Licenses, Permits and Fees	3,145	-	3,145
Interest Income	41,485	-	41,485
Miscellaneous	372,106	77,433	449,539
Total Revenues	<u>\$ 5,024,391</u>	<u>\$ 2,615,183</u>	<u>\$ 7,639,574</u>
EXPENDITURES			
Current			
General Government	\$ 2,611,904	\$ 2,380	\$ 2,614,284
Public Safety	1,624,946	80,883	1,705,829
Health and Welfare	378,463	158,266	536,729
Economic Development	23,000	-	23,000
Highways	-	2,022,624	2,022,624
Flood Repair	-	174,077	174,077
Conserv. of Natural Resources	-	327,278	327,278
Total Expenditures	<u>\$ 4,638,313</u>	<u>\$ 2,765,508</u>	<u>\$ 7,403,821</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 386,078</u>	<u>\$ (150,325)</u>	<u>\$ 235,753</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ 52,811	\$ 20,000	\$ 72,811
Sale of Capital Assets	1,953	-	1,953
Transfers Out	(72,811)	-	(72,811)
Total Other Financing Sources and Uses	<u>\$ (18,047)</u>	<u>\$ 20,000</u>	<u>\$ 1,953</u>
Net Change in Fund Balances	<u>\$ 368,031</u>	<u>\$ (130,325)</u>	<u>\$ 237,706</u>
Fund Balances - January 1	<u>\$ 2,685,254</u>	<u>\$ 2,098,925</u>	<u>\$ 4,784,179</u>
Fund Balances - December 31	<u>\$ 3,053,285</u>	<u>\$ 1,968,600</u>	<u>\$ 5,021,885</u>

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

PEMBINA COUNTY

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

Net Change in Fund Balances - Total Governmental Funds \$ 237,706

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	\$ 694,759	
Capital Contributions	12,825	
Depreciation Expense	<u>(516,053)</u>	191,531

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

Gain on Sale of Capital Assets	\$ 2,222	
Sale of Capital Assets	<u>(1,953)</u>	269

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

Net Change in Retainage Payable	\$ 53,376	
Net Change in Compensated Absences	<u>(10,554)</u>	42,822

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

Net Change in Taxes Receivable	\$ (67,441)	
Net Change in Road Accounts Receivable	<u>(16,266)</u>	(83,707)

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

Net Change in Net Pension and OPEB Liability	\$ 4,454,800	
Net Change in Deferred Outflows of Resources Related to Pensions and OPEB	(1,304,104)	
Net Change in Deferred Inflows of Resources Related to Pensions and OPEB	<u>(3,123,573)</u>	27,123

Change in Net Position of Governmental Activities \$ 415,744

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

PEMBINA COUNTY

Statement of Fiduciary Net Position – Fiduciary Funds

December 31, 2021

	<u>Custodial Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 3,572,670</u>
LIABILITIES & DERRERED INFLOWS OF RESOURCES	
Liabilities	
Funds Held for Other Governmental Units	\$ 55,729
Funds Held for Other Purposes	<u>15,363</u>
Total Liabilities	<u>\$ 71,092</u>
Deferred Inflows of Resources	
Taxes Received in Advance	<u>\$ 3,501,578</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 3,572,670</u>

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

PEMBINA COUNTY

Statement of Changes in Fiduciary Net Position – Fiduciary Funds
For the Year Ended December 31, 2021

	<u>Custodial Funds</u>
ADDITIONS	
Tax Collections for Other Governments	\$ 15,476,235
Grant Collections for Other Governments	843,446
Miscellaneous Collections	<u>119,606</u>
Total Additions	<u><u>\$ 16,439,287</u></u>
DEDUCTIONS	
Tax Disbursements to Other Governments	\$ 15,476,235
Grant Disbursements to Other Governments	843,446
Miscellaneous Disbursements	<u>119,606</u>
Total Deductions	<u><u>\$ 16,439,287</u></u>
Net Increase (Decrease) in Fiduciary Net Position	<u>\$ -</u>
Net Position - Beginning	<u>\$ -</u>
Net Position - Ending	<u><u>\$ -</u></u>

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

PEMBINA COUNTY

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Based on these criteria, the two component units discussed below are included within the County’s reporting entity because of the significance of its operational or financial relationship with the County.

Component Units

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

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

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

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

Basis of Presentation

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

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

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.

PEMBINA COUNTY

Notes to the Financial Statements – Continued

The County reports the following major governmental funds:

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

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

Additionally, the County reports the following fiduciary fund types:

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

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

PEMBINA COUNTY

Notes to the Financial Statements – Continued

Capital Assets

Capital assets for the County and Water Resource District are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets is not capitalized.

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

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

Compensated Absences

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

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

Long-Term Obligations

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

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

Pension

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

Other Post-Employment Benefits (OPEB)

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

PEMBINA COUNTY

Notes to the Financial Statements – Continued

Fund Balances

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

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

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

Net Position

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

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

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

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

Interfund Transactions

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

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

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

NOTE 2 PRIOR PERIOD ADJUSTMENTS

Net position of the Job Development Authority as of January 1, 2021 has been restated for a loan receivable adjustment as shown below. The results of the adjustment decreased the beginning net position of the Job Development Authority.

Job Development Authority	Amounts
Beginning Net Position, as Previously Reported	\$ 519,443
Prior Period Adjustments	
Loans Receivable	(10,906)
Net Position, January 1, Restated	\$ 508,537

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.

PEMBINA COUNTY

Notes to the Financial Statements – Continued

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

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

At December 31, 2021, the County's carrying amount of deposits was \$8,722,608 and the bank balances were \$8,170,955. Of the bank balances, \$1,000,000 was covered by Federal Depository Insurance, \$844,189 were held at the Bank of North Dakota, which is backed by the full faith of the State of North Dakota, while the remaining balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2021, the Water Resource District's carrying amount of deposits was \$2,541,844 and the bank balances were \$2,590,207. Of the bank balances, \$298,802 was covered by Federal Depository Insurance, while the remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

NOTE 4 PROPERTY TAXES

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

NOTE 5 LOANS RECEIVABLE

The Job Development Authority provides loans to businesses for either startup costs or expansion costs. The Job Development Authority had the following loans receivable activity for the year ended December 31, 2021.

	Bal. Jan 1 Restated	New Loans	Prinicpal Payments	Balance Dec 31
Loans Receivable	\$ 392,546	\$ 36,412	\$ 29,791	\$ 399,167

PEMBINA 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	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Not Being Depreciated					
Land	\$ 4,900	\$ -	\$ -	\$ -	\$ 4,900
Construction in Progress	3,285,165	65,235	-	(3,350,400)	-
Total Capital Assets Not Being Depreciated	\$ 3,290,065	\$ 65,235	\$ -	\$ (3,350,400)	\$ 4,900
Capital Assets Being Depreciated					
Buildings	\$ 3,341,358	\$ 20,658	\$ -	\$ -	\$ 3,362,016
Equipment	3,877,433	463,703	41,124	-	4,300,012
Infrastructure	59,282,090	179,988	37,500	3,350,400	62,774,978
Total Capital Assets Being Depreciated	\$ 66,500,881	\$ 664,349	\$ 78,624	\$ 3,350,400	\$ 70,437,006
Less Accumulated Depreciation					
Buildings	\$ 2,043,889	\$ 73,403	\$ -	\$ -	\$ 2,117,292
Equipment	2,739,238	201,734	19,393	-	2,921,579
Infrastructure	52,374,972	240,916	37,500	-	52,578,388
Total Accumulated Depreciation	\$ 57,158,099	\$ 516,053	\$ 56,893	\$ -	\$ 57,617,259
Total Capital Assets Being Depreciated, Net	\$ 9,342,782	\$ 148,296	\$ 21,731	\$ 3,350,400	\$ 12,819,747
Governmental Activities Capital Assets, Net	\$ 12,632,847	\$ 213,531	\$ 21,731	\$ -	\$ 12,824,647

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

Primary Government	Amounts
General Government	\$ 42,391
Public Safety	97,230
Highways and Bridges	370,160
Health and Welfare	3,549
Conservation of Natural Resource	2,723
Total Depreciation Expense	\$ 516,053

PEMBINA COUNTY

Notes to the Financial Statements – Continued

Discretely Presented Component Unit

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

Water Resource District	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Not Being Depreciated					
Construction in Progress	\$ 426,811	\$ 486,202	\$ -	\$ (434,011)	\$ 479,002
Capital Assets Being Depreciated					
Equipment	\$ 74,391	\$ -	\$ -	\$ -	\$ 74,391
Infrastructure	21,016,226	-	-	434,011	21,450,237
Total Capital Assets, Being Depreciated	\$ 21,090,617	\$ -	\$ -	\$ 434,011	\$ 21,524,628
Less Accumulated Depreciation					
Equipment	\$ 74,391	\$ -	\$ -	\$ -	\$ 74,391
Infrastructure	6,238,976	1,072,511	-	-	7,311,487
Total Accumulated Depreciation	\$ 6,313,367	\$ 1,072,511	\$ -	\$ -	\$ 7,385,878
Total Capital Assets Being Depreciated, Net	\$ 14,777,250	\$ (1,072,511)	\$ -	\$ 434,011	\$ 14,138,750
Governmental Activities Capital Assets, Net	\$ 15,204,061	\$ (586,309)	\$ -	\$ -	\$ 14,617,752

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

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:

Primary Government	Balance Jan 1	Increases	Decreases	Balance December 31	Due Within One Year
Compensated Absences *	\$ 161,917	\$ 10,554	\$ -	\$ 172,471	\$ 17,247
Net Pension and OPEB Liability	6,754,730	-	4,454,800	2,299,930	-
Total Primary Government	\$ 6,916,647	\$ 10,554	\$ 4,454,800	\$ 2,472,401	\$ 17,247

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

Discretely Presented Component Unit

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

Water Resource District	Balance Jan 1	Increases	Decreases	Balance December 31	Due Within One Year
Long Term Debt					
Line of Credit Payable	\$ 111,449	\$ 362,915	\$ 326,136	\$ 148,228	\$ 148,228
Bonds Payable	4,158,000	572,000	273,000	4,457,000	324,000
Bond Premium	53,469	-	4,648	48,821	4,648
Total Long Term Debt	\$ 4,322,918	\$ 934,915	\$ 603,784	\$ 4,654,049	\$ 476,876
Compensated Absences *	7,150	589	-	7,739	774
Net Pension and OPEB Liability	148,403	-	94,883	53,520	-
Total Water Resource District	\$ 4,478,471	\$ 935,504	\$ 698,667	\$ 4,715,308	\$ 477,650

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

PEMBINA COUNTY

Notes to the Financial Statements – Continued

Debt Service requirement on long-term debt at December 31, 2021 are as follows:

Year Ending Dec 31	Bonds Payable		Line of Credit		Bond Premium
	Principal	Interest	Principal	Interest	
2022	\$ 324,000	\$ 114,876	\$ 148,228	\$ 4,373	4,648
2023	336,000	111,205	-	-	4,648
2024	343,000	102,674	-	-	4,648
2025	348,000	93,963	-	-	5,781
2026	349,000	85,103	-	-	3,821
2027-2031	1,574,000	290,189	-	-	14,763
2032-2036	808,000	131,022	-	-	8,251
2037-2041	375,000	19,837	-	-	2,261
Total	\$ 4,457,000	\$ 948,869	\$ 148,228	\$ 4,373	\$ 48,821

The Water Resource District issued a new revolving line of credit in FY2021 in the amount of \$500,000. The unused portion of the line of credit at year end was \$351,772.

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.

PEMBINA COUNTY

Notes to the Financial Statements – Continued

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation

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

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

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

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

	Net Pension Liability
Primary Government	\$ 2,193,774
Water Resource District	51,050

PEMBINA COUNTY

Notes to the Financial Statements – Continued

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 Measurement	Pension Expense
Primary Government	0.210474%	0.001022%	\$ 182,223
Water Resource District	0.004898%	0.000296%	4,240

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	\$ 37,876	\$ 223,905
Changes of Assumptions	2,428,082	3,165,711
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	813,636
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	35,322	514,666
Employer Contributions Subsequent to the Measurement Date	165,502	-
Total Primary Government	\$ 2,666,782	\$ 4,717,917

Water Resource District	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 881	\$ 5,210
Changes of Assumptions	56,502	73,667
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	18,934
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	822	11,976
Employer Contributions Subsequent to the Measurement Date	4,407	-
Total Water Resource District	\$ 62,612	\$ 109,788

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:

Primary Government	\$ 165,502
Water Resource District	4,407

PEMBINA COUNTY

Notes to the Financial Statements – Continued

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

	Primary Government	Water Resource District
2022	\$ (413,521)	\$ (9,623)
2023	(560,199)	(13,036)
2024	(456,051)	(10,612)
2025	(786,867)	(18,311)
2026	-	-

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%

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

PEMBINA COUNTY

Notes to the Financial Statements – Continued

(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%)
Primary Government	\$ 3,488,837	\$ 2,193,774	\$ 1,115,429
Water Resource District	81,187	51,050	25,957

Pension Plan Fiduciary Net Position

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

NOTE 9 OTHER POST EMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

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

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

PEMBINA COUNTY

Notes to the Financial Statements – Continued

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
Primary Government	\$ 106,156
Water Resource District	2,470

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 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 Measurement	OPEB Expense
Primary Government	0.190868%	-0.005656%	\$ 6,577
Water Resource District	0.004442%	0.000124%	153

PEMBINA 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	\$ 6,096	\$ 2,909
Changes of Assumptions	16,439	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	36,372
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	1,049	29,736
Employer Contributions Subsequent to the Measurement Date	26,499	-
Total Primary Government	\$ 50,083	\$ 69,017

Water Resource District	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 142	\$ 68
Changes of Assumptions	383	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	846
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	24	692
Employer Contributions Subsequent to the Measurement Date	706	-
Total Water Resource District	\$ 1,254	\$ 1,606

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:

Primary Government	\$ 26,499
Water Resource District	706

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

	Primary Government	Water Resource District
2022	\$ (10,125)	\$ (236)
2023	(10,387)	(242)
2024	(12,051)	(280)
2025	(12,940)	(301)
2026	70	2
2027	-	-
Thereafter	-	-

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

PEMBINA COUNTY

Notes to the Financial Statements – Continued

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

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

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 Pension Liability	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Primary Government	\$ 157,443	\$ 106,156	\$ 62,760
Water Resource District	3,664	2,470	1,460

NOTE 10 OPEN CONSTRUCTION CONTRACTS

The Water Resource District had one construction project open at year-end:

Water Resource District Projects	Contract Amount	Change Orders	Total Contract Amount	Total Completed	Retainage	Remaining Balance
Drain 81	\$ 386,407	\$ 92,595	\$ 479,002	\$ 455,052	\$ 23,950	\$ 23,950

PEMBINA COUNTY

Notes to the Financial Statements – Continued

NOTE 11 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (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 public assets insurance coverage. The coverage by NDRF is limited to losses of five million dollars per occurrence for general liability and automobile and \$1,569,529 for mobile equipment and portable property (public assets). The County also insures machinery and equipment with Hartford Steam Boiler Inspection and Insurance Company. The coverage is limited to \$8,300,000.

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

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

NOTE 12 TRANSFERS

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

NOTE 13 JOINT VENTURES

Red River Joint Water Resource District

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

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2021:

Total Assets	\$ 17,087,415
Total Liabilities	30,427
Net Position	\$ 17,056,988
Total Revenues	\$ 2,796,564
Total Expenses	708,528
Change in Net Position	\$ 2,088,036

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

PEMBINA COUNTY

Notes to the Financial Statements – Continued

Park River Joint Water Resource District

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

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

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

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

NOTE 14 CONDUIT DEBT

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

At December 31, 2021, the County is involved in conduit debt obligations under the following criteria.

Community Development Block Grants

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

As of December 31, 2021, there was one Community Development Block Grant with principal balances that totaled \$3,821.

NOTE 15 SUBSEQUENT EVENTS

Subsequent to December 31, 2021, Pembina County Water Resource District issued an open ended line of credit in the amount of \$500,000 for 2022 operations in February 2022. Interest rate is fixed for one year at 2.95%. As of the audit report date, the current balance is \$479,979.37.

Subsequent to December 31, 2021, Pembina County Water Resource District issued a loan in the amount of \$1,750,000 for the Bourbanis Dam project in November 2022. Interest rate is fixed for one year at 4.73%. As of the audit report date, the current balance is \$1,107,035.10.

PEMBINA 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	\$ 3,269,188	\$ 3,269,188	\$ 3,238,384	\$ (30,804)
Intergovernmental	570,385	570,385	751,729	181,344
Charges for Services	594,478	594,478	617,542	23,064
Licenses, Permits and Fees	4,550	4,550	3,145	(1,405)
Interest Income	30,000	30,000	41,485	11,485
Miscellaneous	207,200	207,200	372,106	164,906
Total Revenues	\$ 4,675,801	\$ 4,675,801	\$ 5,024,391	\$ 348,590
EXPENDITURES				
Current				
General Government	\$ 3,008,856	\$ 3,092,471	\$ 2,611,904	\$ 480,567
Public Safety	1,566,424	1,687,746	1,624,946	62,800
Health and Welfare	373,790	404,730	378,463	26,267
Economic Development	23,200	23,200	23,000	200
Total Expenditures	\$ 4,972,270	\$ 5,208,147	\$ 4,638,313	\$ 569,834
Excess (Deficiency) of Revenues Over Expenditures	\$ (296,469)	\$ (532,346)	\$ 386,078	\$ 918,424
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ -	\$ 52,811	\$ 52,811
Transfers Out	(30,000)	(30,000)	(72,811)	(42,811)
Sale of Capital Assets	-	-	1,953	1,953
Total Other Financing Sources (Uses)	\$ (30,000)	\$ (30,000)	\$ (18,047)	\$ 11,953
Net Change in Fund Balances	\$ (326,469)	\$ (562,346)	\$ 368,031	\$ 930,377
Fund Balances - January 1	\$ 2,685,254	\$ 2,685,254	\$ 2,685,254	\$ -
Fund Balances - December 31	\$ 2,358,785	\$ 2,122,908	\$ 3,053,285	\$ 930,377

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

PEMBINA COUNTY

Budgetary Comparison Schedule –Special Revenue Fund
For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 1,089,933	\$ 1,089,933	\$ 1,055,408	\$ (34,525)
Intergovernmental	1,283,687	1,283,687	1,230,514	(53,173)
Charges for Services	95,900	95,900	251,828	155,928
Miscellaneous	30,000	30,000	77,433	47,433
Total Revenues	<u>\$ 2,499,520</u>	<u>\$ 2,499,520</u>	<u>\$ 2,615,183</u>	<u>\$ 115,663</u>
EXPENDITURES				
Current				
General Government	\$ 5,000	\$ 5,000	\$ 2,380	\$ 2,620
Public Safety	67,300	84,673	80,883	3,790
Health and Welfare	108,669	168,925	158,266	10,659
Highways and Bridges	2,256,049	2,270,568	2,022,624	247,944
Flood Repair	330,000	330,000	174,077	155,923
Conserv. of Natural Resources	335,154	360,233	327,278	32,955
Emergency	65,415	65,415	-	65,415
Total Expenditures	<u>\$ 3,167,587</u>	<u>\$ 3,284,814</u>	<u>\$ 2,765,508</u>	<u>\$ 519,306</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (668,067)</u>	<u>\$ (785,294)</u>	<u>\$ (150,325)</u>	<u>\$ 634,969</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ -	\$ 20,000	\$ 20,000
Total Other Financing Sources and Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>
Net Change in Fund Balances	<u>\$ (668,067)</u>	<u>\$ (785,294)</u>	<u>\$ (130,325)</u>	<u>\$ 654,969</u>
Fund Balances - January 1	<u>\$ 2,098,925</u>	<u>\$ 2,098,925</u>	<u>\$ 2,098,925</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 1,430,858</u>	<u>\$ 1,313,631</u>	<u>\$ 1,968,600</u>	<u>\$ 654,969</u>

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

PEMBINA COUNTY

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

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

Primary Government	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	0.210474%	\$ 2,193,774	\$ 2,383,391	92.04%	78.26%
2020	0.209452%	6,589,414	2,310,516	285.19%	48.91%
2019	0.274380%	3,215,932	2,854,021	112.68%	71.66%
2018	0.282429%	4,766,291	2,901,440	164.27%	62.80%
2017	0.277074%	4,453,494	2,828,490	157.45%	61.98%
2016	0.274259%	2,672,926	2,763,888	96.71%	70.46%
2015	0.283066%	1,924,801	2,521,772	76.33%	77.15%
2014	0.285196%	1,810,202	2,402,441	75.35%	77.70%

Water Resource District	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	0.004898%	\$ 51,050	\$ 55,463	92.04%	78.26%
2020	0.004602%	144,771	50,763	285.19%	48.91%
2019	0.004525%	53,036	47,067	112.68%	71.66%
2018	0.006283%	106,039	64,551	164.27%	62.80%
2017	0.006349%	102,044	64,810	157.45%	61.98%
2016	0.004177%	40,704	42,090	96.71%	70.46%
2015	0.003961%	26,934	35,287	76.33%	77.15%
2014	0.003991%	25,330	33,618	75.35%	77.70%

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

PEMBINA COUNTY

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

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

Primary Government	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	\$ 175,765	\$ 178,285	\$ (2,520)	\$ 2,843,236	7.48%
2020	163,605	197,526	(33,922)	2,782,770	8.55%
2019	206,412	211,041	(4,629)	2,854,021	7.39%
2018	213,704	207,017	6,686	2,901,440	7.13%
2017	205,100	209,749	(4,648)	2,828,490	7.42%
2016	200,101	201,442	(1,342)	2,763,888	7.29%
2015	191,549	190,876	673	2,521,772	7.57%
2014	171,053	171,053	-	2,402,441	7.12%

Water Resource District	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	\$ 4,090	\$ 4,149	\$ (59)	\$ 66,163	7.48%
2020	3,594	4,340	(745)	61,140	8.55%
2019	3,427	3,480	(54)	47,067	7.39%
2018	4,754	4,606	149	64,551	7.13%
2017	4,700	4,806	(107)	64,810	7.42%
2016	3,047	3,068	(20)	42,090	7.29%
2015	2,680	2,671	9	35,287	7.57%
2014	2,394	2,394	-	33,618	7.12%

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

PEMBINA COUNTY

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

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

Primary Government	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	0.190868%	\$ 106,156	\$ 2,080,960	5.10%	76.63%
2020	0.196524%	165,316	2,310,516	7.15%	63.38%
2019	0.254398%	204,329	2,838,721	7.20%	63.13%
2018	0.265162%	208,833	2,901,440	7.20%	61.89%
2017	0.261451%	206,811	2,828,490	7.31%	59.78%

Water Resource District	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	0.004442%	\$ 2,470	\$ 48,425	5.10%	76.63%
2020	0.004318%	3,632	50,763	7.15%	63.38%
2019	0.005589%	4,489	62,367	7.20%	63.13%
2018	0.005899%	4,646	64,551	7.20%	61.89%
2017	0.005991%	4,739	64,810	7.31%	59.78%

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

PEMBINA COUNTY

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

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

Primary Government	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	\$ 25,024	\$ 26,163	\$ (1,139)	\$ 2,843,236	0.92%
2020	26,319	31,404	(5,085)	2,782,770	1.13%
2019	33,015	33,610	(595)	2,838,721	1.18%
2018	34,032	33,147	885	2,901,440	1.14%
2017	32,880	33,583	(704)	2,828,490	1.19%

Water Resource District	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	\$ 582	\$ 609	\$ (27)	\$ 66,163	0.92%
2020	578	690	(112)	61,140	1.13%
2019	725	738	(13)	62,367	1.18%
2018	757	737	20	64,551	1.14%
2017	753	770	(16)	64,810	1.19%

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

PEMBINA 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 will decrease 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 will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 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.

PEMBINA COUNTY

Notes 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	Amendment	Amended Budget
General Fund	\$ 4,972,270	\$ 235,877	\$ 5,208,147
Special Revenue Fund	3,167,587	117,227	3,284,814

PEMBINA COUNTY

Schedule of Expenditures of Federal Awards – Water Resource District
For the Year Ended December 31, 2021

Assistance Listing Number	Program Title	Pass-Through Grantor's Number	Expenditures
US DEPARTMENT OF AGRICULTURE			
	Direct Program		
10.916	Watershed Rehabilitation Program		<u>\$ 874,075</u>
	Total U.S. Department of Agriculture		<u>\$ 874,075</u>
US DEPARTMENT OF HOMELAND SECURITY:			
	Passed through the State Department Emergency Management:		
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	DR4553	<u>\$ 228,342</u>
	Total U.S. Department of Homeland Security		<u>\$ 228,342</u>
	Total Expenditures of Federal Awards		<u><u>\$ 1,102,417</u></u>
See notes to the Schedule of Expenditures of Federal Awards			

PEMBINA COUNTY

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

NOTE 1 BASIS OF PRESENTATION / ACCOUNTING

The accompanying *schedule of expenditures of federal awards- water resource district* includes the federal grant activity of the Pembina County Water Resource District under programs of the federal government for the year ended December 31, 2021. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the Water Resource District, it is not intended to and does not present the financial position or changes in net position of the Water Resource District. Expenditures represent only the federally funded portions of the program. Water Resource District records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Governmental fund types account for Pembina County Water Resource District's federal grant activity. The Pembina County Water Resource District's summary of significant accounting policies is presented in Note 1 in the Pembina County Water Resource District's basic financial statements.

NOTE 3 INDIRECT COST RATE

Pembina County Water Resource District does not draw for indirect administrative expenses and has not elected to use the 10% de minimis cost rate.

STATE AUDITOR
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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. Boulevard Ave. Dept. 117
Bismarck, North Dakota, 58505

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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
Pembina County
Cavalier, 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 Pembina County as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Pembina County's basic financial statements, and have issued our report thereon dated December 27, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pembina County's internal control over financial reporting (internal control) 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 Pembina County's internal control. Accordingly, we do not express an opinion on the effectiveness of Pembina 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. Given these limitations, during our audit we identified certain deficiencies in internal control, described in the accompanying *schedule of audit findings and questioned costs* as items 2021-001, 2021-002, 2021-003, and 2021-004 to be material weaknesses.

PEMBINA COUNTY

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pembina County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 are required to be reported under *Government Auditing Standards* and which are described in the accompanying *schedule of audit findings and questioned costs* as item 2021-001.

Pembina County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Pembina County's response to the findings identified in our audit and described in the accompanying *schedule of audit findings and questions costs*. Pembina County's response was not subjected to the other 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
December 27, 2022

STATE AUDITOR
Joshua C. Gallion



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

Independent Auditor's Report

Board of Water Resource District Commissioners
Pembina County Water Resource District
Cavalier, North Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Pembina County Water Resource District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Pembina County Water Resource District's major federal programs for the year ended December 31, 2021. Pembina County Water Resource District's major federal programs are identified in the summary of auditor's results section of the accompanying *schedule of findings and questioned costs*.

In our opinion, Pembina County Water Resource District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (GAS); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Pembina County Water Resource District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Pembina County Water Resource District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Pembina County Water Resource District's federal programs.

PEMBINA COUNTY

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Pembina County Water Resource District's compliance based on our audit. 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, GAS, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Pembina County Water Resource District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, GAS, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Pembina County Water Resource District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Pembina County Water Resource District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of 's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying *schedule of findings and questioned costs* as items 2021-005 and 2021-006. Our opinion on each major federal program is not modified with respect to these matters.

GAS requires the auditor to perform limited procedures on Pembina County Water Resource District's response to the noncompliance findings identified in our audit described in the accompanying *schedule of findings and questioned costs*. Pembina County Water Resource District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance.

PEMBINA COUNTY

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

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
December 27, 2022

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

Federal Awards – Water Resource District

Internal Control Over Major Programs

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

Identification of Major Programs – Water Resource District

ALN Number	Name of Federal Program or Cluster
10.916	Watershed Rehabilitation Program

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

PEMBINA COUNTY

Schedule of Audit Findings and Questioned Costs
For the Year Ended December 31, 2021

SECTION I – FINANCIAL STATEMENT FINDINGS

2021-001 LACK OF SUPPORT FOR BUDGETED ESTIMATED CASH – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE

Condition

Pembina County did not have supporting documentation for the estimated cash amount for the 2021 General Fund budget and the 2021 Road & Bridge/County Loan/F-M Fund budget.

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.”

Cause

Pembina County did not have a process of calculating the estimated cash balance for the preliminary and final budget for the General Fund and Road & Bridge/County Loan/F-M Fund. In addition, Pembina County may not have been aware of the requirements of N.D.C.C. §57-15-31.

Effect

The estimated cash amounts are key components in the tax levy calculation in any budget year. Thus, Pembina County may have improperly calculated the tax levies for the General Fund and the Road & Bridge/County Loan/F-M Fund.

Repeat Finding

Yes.

Recommendation

We recommend that Pembina County ensure its compliance with all aspects of N.D.C.C. §57-15-31. We further recommend that Pembina County review budgeted cash estimates carefully to ensure proper documentation exists to support the estimated cash used in the preliminary and final budgets.

Pembina County’s Response

See Corrective Action Plan.

PEMBINA COUNTY

Schedule of Audit Findings and Questioned Costs – Continued

2021-002 AUDIT ADJUSTMENT –FIDUCIARY FUND STATEMENT – MATERIAL WEAKNESS

Condition

During testing, Fund 20 - Township Road Fund in the amount of \$736,015 was not included in the Statement of Changes in Fiduciary Net Position for Pembina County. This adjustment was proposed and accepted by Pembina County management.

Criteria

Pembina County is responsible for the preparation of its financial statements to ensure it is reliable, accurate, free of material misstatement, and in accordance with Generally Accepted Accounting Principles (GAAP).

Cause

Pembina County may not have a proper review process in place to ensure the Statement of Changes in Fiduciary Net Position is complete and accurate.

Effect

Pembina County Statement of Changes in Fiduciary Net Position would have been materially misstated without the audit adjustment.

Repeat Finding

No.

Recommendation

We recommend Pembina County review its procedures for the preparation of the financial statements, and update if necessary, to ensure the Statement of Changes in Fiduciary Net Position is complete and accurate in accordance with GAAP.

Pembina County's Response

See Corrective Action Plan.

PEMBINA COUNTY

Schedule of Audit Findings and Questioned Costs – Continued

2021-003 LACK OF SEGREGATION OF DUTIES – COMPONENT UNIT – MATERIAL WEAKNESS

Condition

The Pembina County Water Resource District has limited personnel responsible for most accounting functions. A lack of segregation of duties exists as limited personnel are responsible to collect and deposit monies, issue checks, send checks to vendors, record receipts and disbursements in the check register, maintain the general ledger, create credit memos, and perform bank reconciliations.

Criteria

Proper internal control according to the COSO framework include controls surrounding the custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements. The framework dictates there should be sufficient accounting personnel so that duties of employees are properly segregated. Proper segregation of duties would provide better control over the assets of Pembina County Water Resource District.

Cause

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

Effect

The lack of segregation of duties increases the risk of material misstatement to the Pembina County Water Resource District's financial condition, whether due to error or fraud.

Repeat Finding

Yes.

Recommendation

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

- Financial statements and credit memos should be reviewed by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as they relate to any amounts which impact the financial statements.
- Include the board in reviewing bank reconciliations, credit memos, manual adjustments, etc.

Pembina County Water Resource District's Response

See Corrective Action Plan.

PEMBINA COUNTY

Schedule of Audit Findings and Questioned Costs – Continued

2021-004 AUDIT ADJUSTMENT – WATER RESOURCE DISTRICT – MATERIAL WEAKNESS

Condition

Pembina County Water Resource District did not have a proper Schedule of Expenditures of Federal Awards (SEFA). Audit adjustments were made to the SEFA in the amount of \$107,082 to properly reflect 2021 federal expenditures. This adjustment was proposed and accepted by Pembina County Water Resource District management.

Criteria

Pembina County Water Resource District is responsible for the preparation of its SEFA to ensure it is reliable, accurate, free of material misstatement, and in accordance with Uniform Guidance.

Cause

Pembina County Water Resource District may not have a proper review process in place to ensure the SEFA is complete and accurate.

Effect

Pembina County Water Resource District's SEFA would have been materially misstated without the audit adjustment.

Repeat Finding

No.

Recommendation

We recommend Pembina County Water Resource District review its procedures for the preparation of the SEFA, and update if necessary, to ensure the SEFA is complete and accurate in accordance with Uniform Guidance.

Pembina County Water Resource District's Response

See Corrective Action Plan.

PEMBINA COUNTY

Schedule of Audit Findings and Questioned Costs – Continued

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2021-005 LACK OF SUBMISSION OF FINANCIAL REPORTS – WATER RESOURCE DISTRICT – OTHER NONCOMPLIANCE

FINDING TYPE: Other Noncompliance

Finding	2021-005
Federal Program:	Watershed Rehabilitation Program
ALN:	10.916
Federal Award Number(s) and Year(s):	68-6633-16-508, 2016
Federal Agency:	U.S. Department of Agriculture
Questioned Cost:	\$0

Condition

Pembina County Water Resource District did not complete the SF 425 financial reports during 2021 for the Tongue River cooperative agreement for the Watershed Rehabilitation Program.

Criteria

Per the Tongue River Cooperative Agreement - General Terms and Conditions (Section VI Financial Reporting) states in part: "Recipients must submit a Federal Financial Report (FFR), SF 425 and 425A, in accordance with the following schedule:

Quarterly Schedule	Report Due Date
October 1 to December 31	January 31
January 1 to March 31	April 30
April 1 to June 30	July 30
July 1 to September 30	October 30

Reports must be submitted on an accrual accounting basis. Failure to submit reports in accordance with the above schedule may result in suspension or termination of award."

Cause

Pembina County Water Resource District may not have been aware of the SF 425 financial reporting requirements under the Tongue River Cooperative Agreement.

Effect

Pembina County Water Resource District may not be in compliance with the financial reporting requirements of the Tongue River Cooperative Agreement.

Repeat Finding

Yes.

Recommendation

We recommend Pembina County Water Resource District comply with all financial reporting requirements of the Watershed Rehabilitation Program.

Pembina County Water Resource District's Response

See Corrective Action Plan.

PEMBINA COUNTY

Schedule of Audit Findings and Questioned Costs – Continued

2021-006 UNTIMELY FILING OF DATA COLLECTION FORM – WATER RESOURCE DISTRICT – OTHER NONCOMPLIANCE

FINDING TYPE: Other Noncompliance	
Finding	2021-006
Federal Program:	Watershed Rehabilitation Program
ALN:	10.916
Federal Award Number(s) and Year(s):	NR196633XXXXC005 (2019), 68-6633-16-508 (2016)
Federal Agency:	U.S. Department of Agriculture
Questioned Cost:	\$0

Condition

Pembina County Water Resource District failed to submit the Data Collection Form into the Federal Audit Clearinghouse within nine months of its year-end.

Criteria

Uniform Guidance 2 CFR 200.512(a) states in part: “The audit must be completed and the data collection form must be submitted within the earlier of 30 calendar days after receipt of the auditor’s report, or nine months after the end of the audit period.”

Cause

Pembina County Water Resource District did not complete a 2020 Schedule of Expenditures of Federal Award (SEFA), thus the 2021 Single Audit was not completed timely as a 2020 Single Audit was to be completed.

Effect

Pembina County Water Resource District is not in compliance with the filing requirement deadline.

Repeat Finding

Yes.

Recommendation

We recommend the Pembina County Water Resource District comply with the Uniform Guidance 2 CFR 200.512(a) by submitting the Data Collection Form within the allowable time requirements.

Pembina County Water Resource District’s Response

See Corrective Action Plan.

PEMBINA COUNTY

Management’s Corrective Action Plan – Primary Government
For the Year Ended December 31, 2021

PEMBINA COUNTY
North Dakota



OFFICES OF AUDITOR/TREASURER
SUPT OF SCHOOLS DESIGNEE

Linda Schlittenhard

Telephone 701-265-4231 Fax 701-265-4876
301 Dakota Street West #1, Cavalier, ND 58220

Email: lschlitt@nd.gov
www.pembinacountyrnd.gov

Dawn Useldinger-Menzies Renee Lunde
Deputy Auditor/Treasurer Deputy Auditor/Treasurer

Date: December 21, 2022
To: Joshua C. Gallion, ND State Auditor
From: Linda Schlittenhard, County Auditor
RE: Pembina County – FY2021 Corrective Action Plan

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

Section I – Financial Statement Findings:

2021-001 LACK OF SUPPORT FOR BUDGETED ESTIMATED CASH – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE

Condition:

Pembina County did not have supporting documentation for the estimated cash amount for the 2021 General Fund budget and the 2021 Road & Bridge/County Loan/F-M Fund budget.

Corrective Action Plan:

Pembina County agrees with the findings and Pembina County will have supporting documentation for the estimated cash amount for the General Fund and Road & Bridge/County Loan/F-M budgets to ensure we will be in compliance with NDCC.

Anticipated Completion Date:

Pembina County will comply with the findings for fiscal year 2022.

2021-002 AUDIT ADJUSTMENT –FIDUCIARY FUND STATEMENT – MATERIAL WEAKNESS

Condition:

During testing, Fund 20 - Township Road Fund in the amount of \$736,015 was not included in the Statement of Changes in Fiduciary Net Position for Pembina County. This adjustment was proposed and accepted by Pembina County management.

Corrective Action Plan:

Pembina County agrees with the finding. Pembina County will review revenues more closely to ensure they will be included in the statement of changes in fiduciary net position.

Anticipated Completion Date:

Pembina County will comply with the finding for fiscal year 2022.

PEMBINA COUNTY

Management’s Corrective Action Plan – Water Resource District
For the Year Ended December 31, 2021

PEMBINA COUNTY
WATER RESOURCE DISTRICT

308 Courthouse Drive #5
Cavalier, North Dakota 58220
Phone: 701-265-4511
Fax: 701-265-4165

Date: November 28, 2022
To: Joshua C. Gallion, ND State Auditor
From: LuAnn Kemp, WRD Secretary/Treasurer
RE: Pembina County Water Resource District – FY2021 Corrective Action Plan

Contact Person Responsible for Corrective Acton Plan: LuAnn Kemp, WRD Secretary/Treasurer

Section I – Financial Statement Findings:

2021-003 LACK OF SEGREGATION OF DUTIES – COMPONENT UNIT – MATERIAL WEAKNESS

Condition:

The Pembina County Water Resource District has limited personnel responsible for most accounting functions. A lack of segregation of duties exists as limited personnel are responsible to collect and deposit monies, issue checks, send checks to vendors, record receipts and disbursements in the check register, maintain the general ledger, create credit memos, and perform bank reconciliations.

Corrective Action Plan:

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

Anticipated Completion Date:

This will be considered yearly at budget time.

2021-004 AUDIT ADJUSTMENTS – WATER RESOURCE DISTRICT – MATERIAL WEAKNESS

Condition:

Pembina County Water Resource District did not have a proper Schedule of Expenditures of Federal Awards (SEFA). Audit adjustments were made to the SEFA in the amount of \$107,082 to properly reflect 2021 federal expenditures. This adjustment was proposed and accepted by Pembina County Water Resource District management.

Corrective Action Plan:

We agree. Federal awards and payments will be complied at the end of the fiscal year.

Anticipated Completion Date:

December 2022

PEMBINA COUNTY

Management's Corrective Action Plan – Water Resource District
For the Year Ended December 31, 2021

2021-005 LACK OF SUBMISSION OF FINANCIAL REPORTS – WATER RESOURCE DISTRICT – OTHER NONCOMPLIANCE

Condition:

Pembina County Water Resource District did not complete the SF 425 financial reports during 2021 for the Tongue River cooperative agreement for the Watershed Rehabilitation Program.

Corrective Action Plan:

We agree for first quarter 2021. A final financial report was filed at conclusion of 2nd quarter 2021.

Anticipated Completion Date:

The grant in question ended in June 2021 with final financial report completed in July 2021. No additional reporting is expected after the final financial report.

2021-006 UNTIMELY FILING OF DATA COLLECTION FORM – WATER RESOURCE DISTRICT – OTHER NONCOMPLIANCE

Condition:

Pembina County Water Resource District failed to submit the Data Collection Form into the Federal Audit Clearinghouse within nine months of its year-end.

Corrective Action Plan:

We Agree. Future audits will be scheduled with the ND State Auditor for earlier in the calendar year. 2022 audit needs to be completed by July 1, 2023 for federal payment of the single audit. 2021 Audit was rescheduled by the ND State Auditor to August 2022 from April 2022 which did not allow completion in time.

Anticipated Completion Date:

June 2023

Board Members

Ted Juhl, Randall Emanuelson, Richard Kendall, Donald Kemp, William Gunderson

PEMBINA COUNTY

Schedule of Prior Year Findings – Primary Government
For the Year Ended December 31, 2021

**PEMBINA COUNTY
North Dakota**



Pembina County Courthouse

**OFFICES OF AUDITOR/TREASURER
SUPT OF SCHOOLS DESIGNEE**

Linda Schlittenhard

Telephone 701-265-4231 Fax 701-265-4876
301 Dakota Street West #1, Cavalier, ND 58220

Email: lschlitt@nd.gov
www.pembinacountynd.gov

Dawn Useldinger-Menzies Renee Lunde
Deputy Auditor/Treasurer Deputy Auditor/Treasurer

Date: December 21, 2022
To: Joshua C. Gallion, ND State Auditor
From: Linda Schlittenhard, County Auditor
RE: Pembina County – FY2021 Schedule of Prior Year Findings

2020-001 LACK OF SUPPORT FOR BUDGETED ESTIMATED CASH – MATERIAL WEAKNESS AND MATERIAL NONCOMPLIANCE

Condition:

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

Recommendation:

We recommend that Pembina County ensure its compliance with all aspects of N.D.C.C. §57-15-31. We further recommend that Pembina County review budgeted cash estimates carefully to ensure proper documentation exists to support the estimated cash used in the preliminary and final budgets.

Current Status:

Pembina County has supporting documentation starting with the 2022 budget cycle for estimated cash.

2020-003 CAPITAL ASSET MAINTENANCE – MATERIAL WEAKNESS

Condition:

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

Recommendation:

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

Current Status:

Auditor reviewed Capital Asset schedules for 2021.

PEMBINA COUNTY

Schedule of Prior Year Findings – Water Resource District
For the Year Ended December 31, 2021

PEMBINA COUNTY
WATER RESOURCE DISTRICT

308 Courthouse Drive #5
Cavalier, North Dakota 58220
Phone: 701-265-4511
Fax: 701-265-4165

Date: November 14, 2022
To: Joshua C. Gallion, ND State Auditor
From: LuAnn Kemp, Secretary/Treasurer
RE: Pembina County Water Resource District – FY2021 Schedule of Prior Year Findings

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

Condition:

The Pembina County Water Resource District and Pembina County Job Development Authority have limited personnel responsible for most accounting functions. A lack of segregation of duties exists as limited personnel are responsible to collect and deposit monies, issue checks, send checks to vendors, record receipts and disbursements in the check register, maintain the general ledger, create credit memos, and perform bank reconciliations.

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.
- Include the board in reviewing bank reconciliations, credit memos, manual adjustments, etc.

Current Status:

We have not been able to segregate duties as it not feasible at this moment.

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

Condition:

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

Recommendation:

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

Current Status:

Board reviewed the 2021 project listing to ensure all projects were listed as part of year-end financial record review.

PEMBINA COUNTY

Schedule of Prior Year Findings – Water Resource District – Continued

2020-005 AUDIT ADJUSTMENTS – WATER RESOURCE DISTRICT – MATERIAL WEAKNESS

Condition:

During testing, material intergovernmental receivables and accounts payable in the amounts of \$249,250 and \$234,516 respectively, were not included in the financial statements for the Pembina County Water Resource District. These adjustments were proposed and accepted by Pembina County Water Resource District management.

Recommendation:

We recommend Pembina County Water Resource District review its procedures for the preparation of the financial statements, and update if necessary, to ensure the financial statements are complete and accurate in accordance with GAAP.

Current Status:

Intergovernmental receivables and accounts payable were provided to the State Auditor’s Office for inclusion in the financial statements for 2021.

2020-006 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – WATER RESOURCE DISTRICT – MATERIAL NONCOMPLIANCE

Condition:

Pembina County Water Resource District did not prepare a Schedule of Expenditures of Federal Awards (SEFA), which required an audit adjustment of \$756,833 to accurately report 2020 federal expenditures. This adjustment was proposed and accepted by Pembina County Water Resource District management.

Recommendation:

We recommend Pembina County Water Resource District prepare a SEFA to comply with Uniform Guidance 2 CFR 200.510(b).

Current Status:

2021 SEFA was prepared – notice was already given to ND State Auditor regarding need for single audit based on federal awards in 2022.

2020-007 LACK OF SUBMISSION OF FINANCIAL REPORTS – WATER RESOURCE DISTRICT – OTHER NONCOMPLIANCE

Condition:

Pembina County Water Resource District did not complete the SF 425 financial reports during 2020 for the Tongue River cooperative agreement for the Watershed Rehabilitation Program.

Recommendation:

We recommend Pembina County Water Resource District comply with all financial reporting requirements of the Watershed Rehabilitation Program.

Current Status:

All current and future programs have financial reporting done electronically in the grant software as part of the normal grant reimbursement process.

PEMBINA COUNTY

Schedule of Prior Year Findings – Water Resource District – Continued

**2020-008 UNTIMELY FILING OF DATA COLLECTION FORM – WATER RESOURCE DISTRICT – OTHER
NONCOMPLIANCE**

Condition:

Pembina County Water Resource District failed to submit the Data Collection Form into the Federal Audit Clearinghouse within nine months of its year-end.

Recommendation:

We recommend the Pembina County Water Resource District comply with the Uniform Guidance 2 CFR 200.512(a) by submitting the Data Collection Form within the allowable time requirements.

Current Status:

Audits will be scheduled earlier in the year to ensure completion within the nine months after the year-end.

Board Members

Ted Juht, Randall Emanuelson, Richard Kendall, Donald Kemp, William Gunderson

PEMBINA COUNTY

Schedule of Prior Year Findings – Job Development Authority
For the Year Ended December 31, 2021



Date: December 23, 2022
To: Joshua C. Gallion, ND State Auditor
From: Lori Estad, Office Manager
RE: Pembina County Job Development Authority – FY2021 Schedule of Prior Year Findings

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

Condition:

The Pembina County Water Resource District and Pembina County Job Development Authority have limited personnel responsible for most accounting functions. A lack of segregation of duties exists as limited personnel are responsible to collect and deposit monies, issue checks, send checks to vendors, record receipts and disbursements in the check register, maintain the general ledger, create credit memos, and perform bank reconciliations.

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.
- Include the board in reviewing bank reconciliations, credit memos, manual adjustments, etc.

Current Status:

This is our financial protocol for the PCJDA:

- I collect the loan payments and enter our GMS loan system and QuickBooks to complete my bookkeeping.
- I then send the checks to Pembina County Auditor and that office deposits the loan payments/checks into the bank account. They control the checkbook.
- I send vouchers to the PC Auditor to make payments to the vendors.
- The PC office makes all deposits, cut/send checks to vendors.
- I do not receive the bank statements or reconcile, again the PC Auditor's office does this. They send me an updated spreadsheet monthly of deposits and payments made so I can update my QuickBooks on my end.
- All checks they issue for the PCJDA are approved and signed by the commission.

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Ph: 701-352-3550 – www.redriverrc.com

STATE AUDITOR
Joshua C. Gallion



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STATE CAPITOL
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GOVERNANCE COMMUNICATION

December 27, 2022

Board of County Commissioners
Pembina County
Cavalier, North Dakota

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pembina County, North Dakota, for the year ended December 31, 2021. Professional standards require that we provide you with information about our responsibilities under generally 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 1, 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 Pembina 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 Pembina 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 of capital assets in determining that it 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.

Corrected and Uncorrected Misstatements

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

	<u>Audit Adjustments</u>	
	<u>Debit</u>	<u>Credit</u>
PRIMARY GOVERNMENT		
<u>To Record Audit Found Reclassification of Revenue</u>		
Revenue - Charge for Services	49,983	-
Revenue - Intergovernmental	-	49,983
<u>To Record Audit Found Increase in Tax Collections and Tax Disbursements on Statement of Changes in Fiduciary Net Position</u>		
Tax Disbursements for Other Governments	736,015	-
Tax Collections for Other Governments	-	736,015
WATER RESOURCE DISTRICT		
<u>To Record Audit Found Intergovernmental Receivables</u>		
Intergovernmental Receivable	60,068	-
Revenue	-	60,068
<u>To Record Audit Found Reclassification of Special Assessment Revenue</u>		
Property Taxes - General Revenue	1,711,498	-
Special Assessment - Charge for Services	-	1,711,498
SEFA ADJUSTMENT - WATER RESOURCE DISTRICT		
<u>To Record Audit Found SEFA adjustment for Watershed Rehabilitation Program</u>		
Decrease SEFA Expenditures	-	107,082

Management determined the uncorrected misstatements effect is immaterial to the financial statements taken as a whole. The schedule below lists all uncorrected misstatements detected as a result of audit procedures.

	<u>Passed Audit Adjustment</u>	
	<u>Debit</u>	<u>Credit</u>
PRIMARY GOVERNMENT		
<u>To Record Audit Found Reclassification of State Aid Revenue on Statement of Changes in Fiduciary Net Position</u>		
Tax Collections for Other Governments	259,202	-
Grant Collections for Other Governments	-	259,202
Grant Disbursements for Other Governments	259,202	-
Tax Disbursements to Other Governments	-	259,202

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 December 27, 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 Pembina 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 district’s share of net pension liability and district contributions, schedule of district’s share of net OPEB liability and district 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.

We were engaged to report on the *schedule of expenditures of federal awards -water resource district and notes to the schedule of expenditures of federal awards*, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
December 27, 2022



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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