



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Cavalier County

Langdon, North Dakota

Audit Report for the Year Ended December 31, 2022

Client Code: PS10000



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Office of the
State Auditor

CAVALIER COUNTY

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CAVALIER COUNTY

County Officials

December 31, 2022

COUNTY OFFICIALS

Stanley Dick
David Zeis
Nick Moser
Austin Lafrenz
Greg Goodman

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

Chairman
Vice Chairman
Commissioner
Commissioner
Commissioner

Auditor
County Recorder
District County Judge
Sheriff
States Attorney
Treasurer

STATE AUDITOR
Joshua C. Gallion



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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Cavalier County
Langdon, North Dakota

Report on the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cavalier County, North Dakota, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Cavalier County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cavalier County, North Dakota, as of December 31, 2022, and the respective changes in financial position 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 (*Government Auditing Standards*), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cavalier County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our 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 2021 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.

CAVALIER 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 Cavalier County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 *Government Auditing Standards* 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 *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Cavalier County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cavalier County's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *budgetary comparison schedules, schedule of employer's share of net pension liability and employer contributions, schedule of employer's share of net OPEB liability and employer contributions, and notes to the required supplementary information* 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.

CAVALIER COUNTY

Independent Auditor's Report - Continued

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2024 on our consideration of Cavalier County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Cavalier County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cavalier County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
March 1, 2024

CAVALIER COUNTY
Statement of Net Position
December 31, 2022

	Primary Government	
	Governmental Activities	Component Units
ASSETS		
Cash, Cash Equivalents and Investments	\$ 11,831,677	\$ 1,911,682
Accounts Receivable	30,515	91,653
Intergovernmental Receivable	276,761	131,806
Road Accounts Receivable	58,759	-
Taxes Receivable	43,203	5,371
Special Assessment Receivable	-	144,956
Loans Receivable	6,000	284,029
Capital Assets		
Nondepreciable	216,871	-
Depreciable, Net	13,636,501	1,644,378
Total Assets	<u>\$ 26,100,287</u>	<u>\$ 4,213,875</u>
DEFERRED OUTFLOWS OF RESOURCES		
Derived from Pensions and OPEB	<u>\$ 6,313,548</u>	<u>\$ 450,749</u>
LIABILITIES		
Accounts Payable	\$ 152,177	\$ 23,608
Grants Received in Advance	1,479,908	-
Salaries and Benefits Payable	2,698	20,735
City Loans Payable	-	201,035
Other Liabilities	-	1,192
Interest Payable	7,963	2,622
Long-Term Liabilities		
Due Within One Year		
Long-Term Debt	130,425	56,761
Compensated Absences	47,700	3,254
Due Outside One Year		
Long-Term Debt	284,232	160,343
Compensated Absences	429,303	29,290
Net Pension & OPEB Liability	8,886,059	590,587
Total Liabilities	<u>\$ 11,420,465</u>	<u>\$ 1,089,427</u>
DEFERRED INFLOWS OF RESOURCES		
Taxes Received in Advance	\$ 1,329,223	\$ -
Derived from Pensions and OPEB	<u>3,459,572</u>	<u>230,382</u>
Total Deferred Inflows of Resources	<u>\$ 4,788,795</u>	<u>\$ 230,382</u>
NET POSITION		
Net Investment in Capital Assets	\$ 13,430,752	\$ 1,424,652
Restricted		
Highways & Bridges	4,216,129	-
Flood Repair	144,652	-
Health & Welfare	-	601,523
Culture & Recreation	-	43,394
Conservation of Natural Resources	42,677	994,345
Emergencies	123,921	-
Economic Development	-	280,901
Unrestricted	<u>(1,753,556)</u>	<u>-</u>
Total Net Position	<u>\$ 16,204,575</u>	<u>\$ 3,344,815</u>

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

CAVALIER COUNTY
Statement of Activities
For the Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Fees, Fines, Forfeits & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Units
Primary Government						
Governmental Activities						
General Government	\$ 2,521,986	\$ 117,552	\$ 86,916	\$ -	\$ (2,317,518)	
Public Safety	1,885,717	421,810	196,140	57,801	(1,209,966)	
Highways & Bridges	3,272,070	331,636	1,871,326	-	(1,069,108)	
Health & Welfare	3,513,215	109,125	3,236,927	-	(167,163)	
Flood Repair	-	-	173,466	-	173,466	
Conservation of Natural Resources	335,791	7,608	42,436	-	(285,747)	
Other	27,794	-	-	-	(27,794)	
Interest and Fees on Long-Term Debt	8,902	-	-	-	(8,902)	
Total Governmental Activities	\$ 11,565,475	\$ 987,731	\$ 5,607,211	\$ 57,801	\$ (4,912,732)	
Component Units						
Governmental Activities						
Water Resource District	\$ 622,527	\$ 359,654	\$ -	\$ 4,163	\$ -	\$ (258,710)
Health District	678,938	532,821	350,384	-	-	204,267
Job Development Authority	375,093	4,976	671,223	-	-	301,106
County Library	137,885	1,166	-	-	-	(136,719)
Total Component Units	\$ 1,814,443	\$ 898,617	\$ 1,021,607	\$ 4,163	\$ -	\$ 109,944
General Revenues						
Property taxes					\$ 3,974,467	\$ 493,208
Drain Assessments					-	-
Sales taxes					-	9,533
Nonrestricted Grants and Contributions					624,881	11,254
Unrestricted investment earnings					53,213	5,715
Gain (Loss) on Sale of Capital Asset					9,584	(1,012,202)
Miscellaneous revenue					86,659	28,294
Total General Revenues					\$ 4,748,804	\$ (464,198)
Change in Net Position					\$ (163,928)	\$ (354,254)
Net Position - January 1					\$ 16,435,769	\$ 3,646,044
Prior Period Adjustment					(67,266)	53,025
Net Position - January 1, as restated					\$ 16,368,503	\$ 3,699,069
Net Position - December 31					\$ 16,204,575	\$ 3,344,815

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

CAVALIER COUNTY

Balance Sheet – Governmental Funds
 December 31, 2022

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 3,738,495	\$ 8,093,182	\$ 11,831,677
Accounts Receivable	19,244	11,271	30,515
Intergovernmental Receivable	73,758	203,003	276,761
Loan Receivables	6,000	-	6,000
Road Receivables	-	58,759	58,759
Taxes Receivable	20,388	22,815	43,203
Total Assets	\$ 3,857,885	\$ 8,389,030	\$ 12,246,915
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 36,499	\$ 115,678	\$ 152,177
Salaries Payable	2,698	-	2,698
Grants Received in Advance	-	1,479,908	1,479,908
Total Liabilities	\$ 39,197	\$ 1,595,586	\$ 1,634,783
Deferred Inflows of Resources			
Road Receivables	\$ -	\$ 58,759	\$ 58,759
Taxes Received in Advance	704,048	625,175	1,329,223
Taxes Receivable	20,388	22,815	43,203
Total Deferred Inflows of Resources	\$ 724,436	\$ 706,749	\$ 1,431,185
Total Liabilities and Deferred Inflows of Resources	\$ 763,633	\$ 2,302,335	\$ 3,065,968
Fund Balances			
Nonspendable			
Loan Receivable	\$ 6,000	\$ -	\$ 6,000
Restricted			
General Government	-	15,667	15,667
Public Safety	-	151,637	151,637
Highways & Bridges	-	5,003,451	5,003,451
Health & Welfare	-	464,928	464,928
Flood Repair	-	144,652	144,652
Conservation of Natural Resources	-	182,486	182,486
Emergencies	-	123,874	123,874
Unassigned	3,088,252	-	3,088,252
Total Fund Balances	\$ 3,094,252	\$ 6,086,695	\$ 9,180,947
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,857,885	\$ 8,389,030	\$ 12,246,915

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

CAVALIER COUNTY

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position
December 31, 2022

Total Fund Balances - Governmental Funds \$ 9,180,947

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

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds. 13,853,372

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	\$ 43,203	
Road Department Accounts Receivable	<u>58,759</u>	101,962

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

Deferred Outflows Related to Pensions and OPEB	\$ 6,313,548	
Deferred Inflows Related to Pensions and OPEB	<u>(3,459,572)</u>	2,853,976

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

Loans Payable	\$ (414,657)	
Interest Payable	(7,963)	
Compensated Absences Payable	(477,003)	
Net Pension and OPEB Liability	<u>(8,886,059)</u>	<u>(9,785,682)</u>

Total Net Position of Governmental Activities \$ 16,204,575

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

CAVALIER COUNTYStatement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended December 31, 2022

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 1,908,241	\$ 2,081,216	\$ 3,989,457
Intergovernmental	1,173,343	5,116,549	6,289,892
Charges for Services	438,046	546,286	984,332
Licenses, Permits and Fees	760	-	760
Interest Income	53,213	-	53,213
Miscellaneous	68,913	17,749	86,662
Total Revenues	\$ 3,642,516	\$ 7,761,800	\$ 11,404,316
EXPENDITURES			
Current			
General Government	\$ 2,158,503	\$ 96,993	\$ 2,255,496
Public Safety	1,623,522	89,988	1,713,510
Highways & Bridges	-	2,370,329	2,370,329
Health & Welfare	72,465	3,008,587	3,081,052
Conserv. of Natural Resources	-	296,126	296,126
Other	27,794	-	27,794
Debt Service			
Principal	-	107,917	107,917
Interest	-	10,314	10,314
Total Expenditures	\$ 3,882,284	\$ 5,980,254	\$ 9,862,538
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (239,768)	\$ 1,781,546	\$ 1,541,778
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ 66,070	\$ 3,960,146	\$ 4,026,216
Sales of Capital Assets	3,256	8,008	11,264
Loan/Debt Proceeds	65,000	-	65,000
Transfers Out	(24,245)	(4,001,971)	(4,026,216)
Total Other Financing Sources and Uses	\$ 110,081	\$ (33,817)	\$ 76,264
Net Change in Fund Balances	\$ (129,687)	\$ 1,747,729	\$ 1,618,042
Fund Balances - January 1	\$ 3,368,699	\$ 4,338,966	\$ 7,707,665
Prior Period Adjustment	\$ (144,760)	-	(144,760)
Fund Balance - Jan. 1, as restated	\$ 3,223,939	\$ 4,338,966	\$ 7,562,905
Fund Balances - December 31	\$ 3,094,252	\$ 6,086,695	\$ 9,180,947

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

CAVALIER COUNTY

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2022

Net Change in Fund Balances - Total Governmental Funds \$ 1,618,042

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	\$ 414,319	
Depreciation Expense	<u>(1,053,067)</u>	(638,748)

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

Loss on Sale of Capital Assets	\$ 9,584	
Proceeds from Sale of Capital Assets	<u>(11,264)</u>	(1,680)

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

Issuance of Loans	\$ (65,000)	
Repayment of Long-Term Debt	<u>107,917</u>	42,917

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

Decrease in Interest Payable	\$ 1,412	
Increase in Compensated Absences Payable	<u>(23,228)</u>	(21,816)

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

Increase in Net Pension & OPEB Liability	\$ (5,538,122)	
Increase in Deferred Outflows of Resources Related to Pensions	1,685,896	
Decrease in Deferred Inflows of Resources Related to Pensions	<u>2,701,936</u>	(1,150,290)

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

Decrease in Taxes Receivable	\$ (14,990)	
Increase in Road Receivables	<u>2,637</u>	<u>(12,353)</u>

Change in Net Position of Governmental Activities \$ (163,928)

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

CAVALIER COUNTY

Statement of Fiduciary Net Position – Fiduciary Funds

December 31, 2022

	<u>Custodial Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 2,809,204</u>
LIABILITIES & DERRERED INFLOWS OF RESOURCES	
Liabilities	
Funds Held for Other Governmental Units	<u>\$ 79,440</u>
Total Liabilities	<u>\$ 79,440</u>
Deferred Inflows of Resources	
Taxes Received in Advance	<u>\$ 2,685,242</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 2,764,682</u>
Restricted	
Funds Held for Other Purposes	<u>\$ 44,522</u>
Total Net Position	<u>\$ 44,522</u>

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

CAVALIER COUNTYStatement of Changes in Fiduciary Net Position – Fiduciary Funds
December 31, 2022

	<u>Custodial Funds</u>
ADDITIONS	
Tax Collections for Other Governments	\$ 8,084,253
Grant Collections for Other Governments	896,078
Miscellaneous Collections	<u>206,172</u>
Total Additions	<u>\$ 9,186,503</u>
DEDUCTIONS	
Tax Disbursements to Other Governments	\$ 8,084,253
Grant Disbursements to Other Governments	896,078
Miscellaneous Disbursements	<u>161,650</u>
Total Deductions	<u>\$ 9,141,981</u>
Net Increase (Decrease) in Fiduciary Net Position	<u>\$ 44,522</u>
Net Position - Beginning	<u>\$ -</u>
Net Position - Ending	<u>\$ 44,522</u>

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

CAVALIER COUNTY

Combining Statement of Net Position – Discretely Presented Component Units
For the Year Ended December 31, 2022

	Water Resource District	Health District	Job Development Authority	County Library	Total
ASSETS					
Cash, Cash Equivalents and Investments	\$ 837,760	\$ 701,257	\$ 324,120	\$ 48,545	\$ 1,911,682
Other Assets	-	-	-	-	-
Accounts Receivable	25,475	66,178	-	-	91,653
Intergovernmental Receivable	-	131,806	-	-	131,806
Taxes Receivable	1,561	627	1,981	1,202	5,371
Special Assessment Receivable	144,956	-	-	-	144,956
Loans Receivable	-	-	284,029	-	284,029
Capital Assets					
Depreciable, Net	1,537,507	56,518	-	50,353	1,644,378
Total Assets	\$ 2,547,259	\$ 956,386	\$ 610,130	\$ 100,100	\$ 4,213,875
DEFERRED OUTFLOWS OF RESOURCES					
Derived from Pensions and OPEB	\$ -	\$ 352,628	\$ 98,121	\$ -	\$ 450,749
LIABILITIES					
Accounts Payable	\$ -	\$ -	\$ 23,608	\$ -	\$ 23,608
City Loans Payable	-	-	201,035	-	201,035
Payroll Liabilities	14,215	4,776	1,645	99	20,735
Other Liabilities	1,192	-	-	-	1,192
Interest Payable	2,622	-	-	-	2,622
Long-Term Liabilities					
Due Within One Year					
Long-Term Debt	56,761	-	-	-	56,761
Compensated Absences	-	2,227	402	625	3,254
Due Outside One Year					
Long-Term Debt	160,343	-	-	-	160,343
Compensated Absences	-	20,042	3,619	5,629	29,290
Net Pension & OPEB Liability	-	448,247	142,340	-	590,587
Total Liabilities	\$ 235,133	\$ 475,292	\$ 372,649	\$ 6,353	\$ 1,089,427
DEFERRED INFLOWS OF RESOURCES:					
Derived from Pensions and OPEB	\$ -	\$ 175,681	\$ 54,701	\$ -	\$ 230,382
Total Deferred Inflows of Resources	\$ -	\$ 175,681	\$ 54,701	\$ -	\$ 230,382
NET POSITION					
Net Investment in Capital Assets	\$ 1,317,781	\$ 56,518	\$ -	\$ 50,353	\$ 1,424,652
Restricted					
Health & Welfare	-	601,523	-	-	601,523
Conservation of Natural Resources	994,345	-	-	-	994,345
Economic Development	-	-	280,901	-	280,901
Culture & Recreation	-	-	-	43,394	43,394
Total Net Position	\$ 2,312,126	\$ 658,041	\$ 280,901	\$ 93,747	\$ 3,344,815

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

CAVALIER COUNTY

Combining Statement of Activities – Discretely Presented Component Units For the Year Ended December 31, 2022

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Water Resource	Health District	Job Development Authority	County Library	Total
Component Units									
Governmental Activities									
Water Resource District	\$ 622,527	\$ 359,654	\$ -	\$ 4,163	\$ (258,710)	\$ -	\$ -	\$ -	\$ (258,710)
Health District	678,938	532,821	350,384	-	-	204,267	-	-	204,267
Job Development Authority	375,093	4,976	671,223	-	-	-	301,106	-	301,106
County Library	137,885	1,166	-	-	-	-	-	(136,719)	(136,719)
Total Component Units	\$ 1,814,443	\$ 898,617	\$ 1,021,607	\$ 4,163	\$ (258,710)	\$ 204,267	\$ 301,106	\$ (136,719)	\$ 109,944
General Revenues									
Property Taxes					\$ 148,393	\$ 57,428	\$ 177,249	\$ 110,138	\$ 493,208
Drain Assessments					-	-	-	-	-
Sales Tax					-	-	9,533	-	9,533
Nonrestricted Grants and Contributions					-	-	-	11,254	11,254
Unrestricted Investment & Interest Earnings					3,826	1,298	17	574	5,715
Gain (Loss) on Sale of Capital Asset					21,334	-	(1,033,536)	-	(1,012,202)
Miscellaneous revenue					14,139	3,007	3,854	7,294	28,294
Total General Revenues					\$ 187,692	\$ 61,733	\$ (842,883)	\$ 129,260	\$ (464,198)
Change in Net Position					\$ (71,018)	\$ 266,000	\$ (541,777)	\$ (7,459)	\$ (354,254)
Net Position - January 1					\$ 2,348,568	\$ 373,592	\$ 822,678	\$ 101,206	\$ 3,646,044
Prior Period Adjustments					\$ 34,576	\$ 18,449	\$ -	\$ -	\$ 53,025
Net Assets - January 1, as restated					\$ 2,383,144	\$ 392,041	\$ 822,678	\$ 101,206	\$ 3,699,069
Net Position - December 31					\$ 2,312,126	\$ 658,041	\$ 280,901	\$ 93,747	\$ 3,344,815

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

CAVALIER COUNTY

Notes to the Financial Statements
For the Year Ended December 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Component Units

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

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

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

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

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

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

Basis of Presentation

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

CAVALIER COUNTY

Notes to the Financial Statements - Continued

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

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

The County reports the following major governmental funds:

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

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

Additionally, the County reports the following fiduciary fund types:

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

CAVALIER COUNTY

Notes to the Financial Statements - Continued

Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

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

Capital Assets

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

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

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

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

Compensated Absences

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

Long-Term Obligations

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

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

Pension

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

CAVALIER COUNTY

Notes to the Financial Statements - Continued

Other Post-Employment Benefits (OPEB)

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

Fund Balances

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

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

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

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

Net Position

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

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

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

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

Interfund Transactions

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

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

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

CAVALIER COUNTY

Notes to the Financial Statements - Continued

NOTE 2 PRIOR PERIOD ADJUSTMENTS

Primary Government

Fund Balance and Net position of Cavalier County as of January 1, 2022 has been restated for the net capital asset and accounts receivable adjustments as shown below. The result of the adjustments decreased the beginning fund balance and net position of the County.

Primary Government	Government Wide	General Fund
Beginning Fund Balance/Net Position, as previously reported	\$ 16,435,769	\$ 3,368,699
Prior Period Adjustment		
Capital Assets, Net	77,494	-
Accounts Receivable	(144,760)	(144,760)
Fund Balance/Net Position January 1, as restated	\$ 16,368,503	\$ 3,223,939

Discretely Presented Component Units

The fund balance of the Water Resource District as of January 1, 2022 has also been restated for the fund balance adjustment for the Water Resource District as shown below. The result of the adjustment increased the beginning fund balance of the Water Resource District:

Water Resource District	Amounts
Beginning Net Position, as previously reported	\$ 2,348,568
Prior Period Adjustment	
Fund Balance, January 1	34,676
Net Position January 1, as restated	\$ 2,383,244

The net position of the Health District as of January 1, 2022 has been restated for the net capital asset adjustment as shown below. The result of the adjustment increased the beginning net position of the Health District.

Health District	Amounts
Beginning Net Position, as previously reported	\$ 373,592
Prior Period Adjustment	
Capital Assets, Net	18,449
Net Position January 1, as restated	\$ 392,041

NOTE 3 DEPOSITS

Custodial Credit Risk

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

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

CAVALIER COUNTY

Notes to the Financial Statements - Continued

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.

Primary Government

At year ended December 31, 2022, the County's carrying amount of deposits totaled \$14,481,063, and the bank balances totaled \$13,997,910. Of the bank balances, \$527,677 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

Discretely Presented Component Units

At year ended December 31, 2022, the Water Resource District's carrying amount of deposits totaled \$837,704 and the bank balances totaled \$878,087. Of the bank balances, \$532,910 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2022, the Health District's carrying value of deposits totaled \$701,257 and the bank balances totaled \$707,122. Of the bank balances, \$481,635 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2022, the Job Development Authority's carrying value of deposits totaled \$324,120 and the bank balances totaled \$93,423, all of which was covered by Federal Depository Insurance.

At year ended December 31, 2022, the Library's carrying amount of deposits totaled \$48,544 and bank balances totaled \$57,078, all of which was covered by Federal Depository Insurance.

NOTE 4 PROPERTY TAXES

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

NOTE 5 LOANS RECEIVABLE

Primary Government

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

County	Balance January 1	New Loans	Principal Payments	Balance December 31
Loans Receivable	\$ 30,244	\$ -	\$ 24,244	\$ 6,000

CAVALIER COUNTY

Notes to the Financial Statements - Continued

Discretely Presented Component Units

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

JDA	Balance January 1	New Loans	Principal Payments	Balance December 31
Loans Receivable	\$ 291,214	\$ 28,999	\$ 36,184	\$ 284,029

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, 2022:

	Restated Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Primary Government					
Capital Assets Not Being Depreciated					
Land	\$ 30,000	\$ -	\$ -	\$ -	\$ 30,000
Construction in Progress	77,494	109,377	-	-	186,871
Total Capital Assets, Not Being Depreciated	\$ 107,494	\$ 109,377	\$ -	\$ -	\$ 216,871
Capital Assets Being Depreciated					
Buildings	\$ 500,000	\$ -	\$ -	\$ -	\$ 500,000
Building Improvements	1,514,797	-	-	-	1,514,797
Vehicles & Equipment	4,223,923	304,942	20,400	-	4,508,465
Infrastructure	15,948,788	-	-	-	15,948,788
Total Capital Assets, Being Depreciated	\$ 22,187,508	\$ 304,942	\$ 20,400	\$ -	\$ 22,472,050
Less Accumulated Depreciation					
Buildings	\$ 325,000	\$ 5,000	\$ -	\$ -	\$ 330,000
Building Improvements	325,076	60,592	-	-	385,668
Vehicles & Equipment	2,444,298	349,524	18,720	-	2,775,102
Infrastructure	4,706,827	637,952	-	-	5,344,779
Total Accumulated Depreciation	\$ 7,801,201	\$ 1,053,068	\$ 18,720	\$ -	\$ 8,835,549
Total Capital Assets Being Depreciated, Net	\$ 14,386,307	\$ (748,126)	\$ 1,680	\$ -	\$ 13,636,501
Primary Government Capital Assets, Net	\$ 14,493,801	\$ (638,749)	\$ 1,680	\$ -	\$ 13,853,372

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

Primary Government	Amounts
General Government	\$ 45,179
Public Safety	119,577
Highways	851,135
Health and Welfare	26,764
Conservation of Natural Resources	10,413
Total Depreciation Expense - Govt. Activities	\$ 1,053,068

CAVALIER COUNTY

Notes to the Financial Statements - Continued

Discretely Presented Component Unit

The following is a summary of changes in capital assets for the year ended December 31, 2022 for the Water Resource District, Health District, Job Development Authority, and Library:

Water Resource District	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Being Depreciated					
Vehicles & Equipment	\$ 98,737	\$ 30,189	\$ 56,693	\$ -	\$ 72,233
Infrastructure	3,479,935	-	-	-	3,479,935
Total Capital Assets, Being Depreciated	\$ 3,578,672	\$ 30,189	\$ 56,693	\$ -	\$ 3,552,168
Less Accumulated Depreciation					
Vehicles & Equipment	\$ 81,127	\$ 13,149	\$ 50,953	\$ -	\$ 43,323
Infrastructure	1,832,142	139,197	-	-	1,971,338
Total Accumulated Depreciation	\$ 1,913,269	\$ 152,346	\$ 50,953	\$ -	\$ 2,014,661
Total Capital Assets Being Depreciated, Net	\$ 1,665,403	\$ (122,157)	\$ 5,740	\$ -	\$ 1,537,507
Water Resource District Capital Assets, Net	\$ 1,665,403	\$ (122,157)	\$ 5,740	\$ -	\$ 1,537,507

Health	Restated Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Being Depreciated					
Vehicles & Equipment	\$ 63,044	\$ -	\$ -	\$ -	\$ 63,044
Total Capital Assets, Being Depreciated	\$ 63,044	\$ -	\$ -	\$ -	\$ 63,044
Less Accumulated Depreciation					
Vehicles & Equipment	\$ 3,664	\$ 2,862	\$ -	\$ -	\$ 6,526
County Health Capital Assets, Net	\$ 59,380	\$ (2,862)	\$ -	\$ -	\$ 56,518

Job Development Authority	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital assets not being depreciated:					
Construction in Progress	\$ 778,982	\$ 504,529	\$ -	\$ (1,283,511)	\$ -
Total Capital Assets, Not Being Depreciated	\$ 778,982	\$ 504,529	\$ -	\$ (1,283,511)	\$ -
Capital Assets Being Depreciated					
Infrastructure	-	-	1,283,511	1,283,511	-
Total Capital Assets, Being Depreciated	\$ -	\$ -	\$ 1,283,511	\$ 1,283,511	\$ -
Job Development Authority Capital Assets, Net	\$ 778,982	\$ 504,529	\$ 1,283,511	\$ -	\$ -

Library	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Being Depreciated					
Vehicles & Equipment	\$ 11,884	\$ -	\$ -	\$ -	\$ 11,884
Infrastructure	-	49,975	-	-	49,975
Total Capital Assets, Being Depreciated	\$ 11,884	\$ 49,975	\$ -	\$ -	\$ 61,859
Less Accumulated Depreciation					
Vehicles & Equipment	\$ 8,319	\$ 1,188	\$ -	\$ -	\$ 9,507
Infrastructure	-	1,999	-	-	1,999
Total Accumulated Depreciation	\$ 8,319	\$ 3,187	\$ -	\$ -	\$ 11,506
County Library Capital Assets, Net	\$ 3,565	\$ 46,788	\$ -	\$ -	\$ 50,353

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

CAVALIER COUNTY

Notes to the Financial Statements - Continued

NOTE 7 LONG-TERM LIABILITIES

Primary Government

During the year ended December 31, 2022, the following changes occurred in liabilities reported in long-term liabilities:

Primary Government	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Loans Payable	\$ 457,574	\$ 65,000	\$ 107,917	\$ 414,657	\$ 130,425
Compensated Absences	\$ 453,775	\$ 396,363	\$ 373,135	\$ 477,003	\$ 47,700
Net Pension and OPEB Liability *	3,347,938	5,538,121	-	8,886,059	-
Total Primary Government	\$ 4,259,287	\$ 5,999,484	\$ 481,052	\$ 9,777,719	\$ 178,125

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

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

Primary Government		
Year Ending Dec 31	Loans Payable	
	Principal	Interest
2023	\$ 130,425	\$ 11,232
2024	133,744	7,914
2025	85,712	4,432
2026	64,776	1,940
Total	\$ 414,657	\$ 25,518

Discretely Presented Component Units

Water Resource District

During the year ended December 31, 2022, the following changes occurred in governmental long-term liabilities of the Water Resource District:

Water Resource District	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Line of Credit Payable	\$ 274,081	\$ -	\$ 56,977	\$ 217,104	\$ 56,761

The Water Resource District issued a new line of credit in 2020 in the amount of \$197,196. Through the end of 2022, the Water Resource District had used \$177,407 of the available \$197,196. The Water Resource District did not draw any of the available advances in 2022. The unused portion of the line of credit at the end of 2022 for the Water resource District was \$19,789.

Additionally, the Water Resource District issued a new line of credit in 2021 in the amount of \$200,000. Through the end of 2022, the Water Resource District had drawn down \$125,000 of the available \$200,000. The unused portion of the line of credit at the end of 2022 for the Water resource District was \$75,000.

CAVALIER COUNTY

Notes to the Financial Statements - Continued

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

Water Resource District		
Year Ending Dec 31	Line of Credit Payable	
	Principal	Interest
2023	\$ 56,761	\$ 3,496
2024	57,685	2,572
2025	58,624	1,633
2026	37,201	679
2027	6,833	117
Total	\$ 217,104	\$ 8,497

The Line of Credit Payables have not fully been drawn down. The amortization schedule is based on the amount drawn down as of 12/31/2022. The 2020 line of credit matures on April 1, 2027 with an interest rate of 1.50% and the 2022 line of credit matures on 4/1/2028 with an interest rate of 1.75%.

Public Health District

During the year ended December 31, 2022, the following changes occurred in governmental long-term liabilities of the Health District:

Health District	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences	\$ 14,308	\$ 16,672	\$ 8,711	\$ 22,269	\$ 2,227
Net Pension and OPEB Liability *	150,996	297,251	-	448,247	-
Total Health District	\$ 165,304	\$ 313,923	\$ 8,711	\$ 470,516	\$ 2,227

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

Job Development Authority

During the year ended December 31, 2022, the following changes occurred in governmental long-term liabilities of the Job Development Authority:

Job Development Authority	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences	\$ 4,319	\$ 4,819	\$ 5,117	\$ 4,021	\$ 402
Net Pension and OPEB Liability *	48,931	93,409	-	142,340	-
Total Job Development Authority	\$ 53,250	\$ 98,228	\$ 5,117	\$ 146,361	\$ 402

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

Library

During the year ended December 31, 2022, the following changes occurred in governmental long-term liabilities of the Library:

Library	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences	\$ 4,544	\$ 6,297	\$ 4,587	\$ 6,254	\$ 625

NOTE 8 PENSION PLAN

General Information about the NDPERS Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

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

CAVALIER COUNTY

Notes to the Financial Statements - Continued

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, 2022, the following net pension liabilities were reported:

	Net Pension Liability
County	\$ 8,531,592
Health District	433,738
Job Development Authority	135,968

The net pension liability was measured as of June 30, 2022, 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, 2022, the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2021 Measurements	Pension Expense
County	0.296229%	-0.008956%	\$ 1,372,281
Health District	0.015060%	0.001131%	73,016
Job Development Authority	0.004721%	0.000273%	18,504

CAVALIER COUNTY

Notes to the Financial Statements - Continued

At December 31, 2022, 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	\$ 44,504	\$ 162,968
Changes in Assumptions	5,102,018	3,162,969
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	312,254	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	532,737	128,531
Contributions - Employer	121,502	-
Total Primary Government	\$ 6,113,015	\$ 3,454,468

Health District	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 2,262	\$ 8,285
Changes in Assumptions	259,382	160,802
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	15,875	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	53,972	6,459
Contributions - Employer	12,241	-
Total Health District	\$ 343,732	\$ 175,546

Job Development Authority	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 709	\$ 2,597
Changes in Assumptions	81,311	50,408
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	4,976	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	3,896	1,610
Contributions - Employer	3,609	-
Total Job Development Authority	\$ 94,501	\$ 54,615

The following amounts were reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022:

County	\$ 121,502
Health District	12,241
Job Development Authority	3,609

CAVALIER COUNTY

Notes to the Financial Statements - Continued

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

Year	County	Health District	Job Development Authority
2023	\$ 847,266	\$ 45,920	\$ 9,990
2024	920,565	51,139	11,669
2025	1,147	16,142	1,435
2026	768,067	42,744	13,183

Actuarial Assumptions

The total pension liability in the July 1, 2022 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	5.10%, net of investment expenses
Cost-of-living adjustments	None

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

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

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

CAVALIER COUNTY

Notes to the Financial Statements - Continued

Discount rate

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.69%; and the resulting Single Discount Rate is 5.10%.

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 5.10 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 (4.10 percent) or 1-percentage-point higher (6.12 percent) than the current rate:

Proportionate Share of the Net Pension Liability	1% Decrease (4.10%)	Current Discount Rate (5.10%)	1% Increase (6.10%)
County	\$ 11,261,115	\$ 8,531,592	\$ 6,290,749
Health District	572,504	433,738	319,816
Job Development Authority	179,468	135,968	100,256

Pension plan fiduciary net position.

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

NOTE 9 OPEB PLAN

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

CAVALIER COUNTY

Notes to the Financial Statements - Continued

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

OPEB Benefits

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

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

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

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

At December 31, 2022, the following net OPEB liabilities were reported:

	Net OPEB Liability
County	\$ 354,467
Health District	14,509
Job Development Authority	6,372

CAVALIER COUNTY

Notes to the Financial Statements - Continued

The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The proportion of the net OPEB liability was based on the share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2022, the entities had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2021 Measurements	OPEB Expense
County	0.295313%	-0.004940%	\$ 71,620
Health District	0.012088%	0.001634%	2,681
Job Development Authority	0.005309%	0.000690%	1,168

At December 31, 2022, 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	\$ 8,403	\$ 3,048
Changes of Assumptions	89,286	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	47,728	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	35,663	2,056
Contributions - Employer	19,454	-
Total Primary Government	\$ 200,534	\$ 5,104

Health District	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 343	\$ 125
Changes of Assumptions	3,655	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	1,954	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	985	10
Contributions - Employer	1,960	-
Total Health District	\$ 8,897	\$ 135

Job Development Authority	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 151	\$ 55
Changes of Assumptions	1,605	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	858	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	429	31
Contributions - Employer	578	-
Total Job Development Authority	\$ 3,621	\$ 86

CAVALIER COUNTY

Notes to the Financial Statements - Continued

The following amounts were reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022:

County	\$ 19,454
Health District	1,960
Job Development Authority	578

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

Year	County	Health District	Job Development Authority
2023	\$ 49,786	\$ 1,788	\$ 775
2024	47,327	1,689	727
2025	38,728	1,495	649
2026	40,135	1,830	806
2027	-	-	-

Actuarial assumptions

The total OPEB liability in the July 1, 2022 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	5.75%, net of investment expenses
Cost of living adjustments	None

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	5.85%
Small Cap Domestic Equities	6%	6.75%
Domestic Fixed Income	35%	0.50%
International Equities	26%	6.25%

CAVALIER COUNTY

Notes to the Financial Statements - Continued

Discount Rate

The discount rate used to measure the total OPEB liability was 5.75%. 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, 2022, calculated using the discount rate of 5.39%, 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 (4.39 percent) or 1-percentage-point higher (6.39 percent) than the current rate:

Proportionate Share of the Net OPEB Liability	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
County	\$ 452,456	\$ 354,467	\$ 272,208
Health District	18,520	14,509	11,142
Job Development Authority	8,134	6,372	4,894

NOTE 10 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), 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 NDRIF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of \$2,000,000 per occurrence for general liability and automobile and \$2,714,043 for public assets (mobile equipment and portable property) for the County.

The County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The County pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the County with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage. The Water Resource District and Health District have \$108,975 and \$262,049, respectively, of blanket fidelity bond coverage.

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

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

CAVALIER COUNTY

Notes to the Financial Statements - Continued

NOTE 11 TRANSFERS

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

Funds	Transfers In	Transfers Out
General Fund	\$ 66,070	\$ 24,244
Special Revenue	3,960,146	4,001,972
Total Transfers	\$ 4,026,216	\$ 4,026,216

NOTE 12 JOINT VENTURES

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

Unaudited summary financial information for the year ended December 31, 2022 is as follows:

	Devils Lake Basin Joint WRD
Cash and Investments	\$ 220,714
Total Liabilities	2
Total Net Position	\$ 220,712
Total Revenues	\$ 146,722
Total Expenses	178,553
Net Change in Position	\$ (31,831)

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

NOTE 14 CONDUIT DEBT

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

As of December 31, 2022, there was one series of Community Development Block Grant Loans outstanding, with an aggregate principal amount payable of \$78,441.

CAVALIER COUNTY

Budgetary Comparison Schedule – General Fund
 For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 1,877,702	\$ 1,877,702	\$ 1,908,241	\$ 30,539
Intergovernmental	949,001	949,001	1,173,343	224,342
Charges for Services	458,077	458,077	438,046	(20,031)
Licenses, Permits and Fees	2,750	2,750	760	(1,990)
Interest Income	35,000	35,000	53,213	18,213
Miscellaneous	116,470	116,470	68,913	(47,557)
Total Revenues	\$ 3,439,000	\$ 3,439,000	\$ 3,642,516	\$ 203,516
EXPENDITURES				
Current				
General Government	\$ 2,254,334	\$ 2,492,691	\$ 2,158,503	\$ 334,188
Public Safety	1,480,900	1,480,900	1,623,522	(142,622)
Health and Welfare	66,389	66,389	72,465	(6,076)
Other	28,175	28,175	27,794	381
Total Expenditures	\$ 3,829,798	\$ 4,068,155	\$ 3,882,284	\$ 185,871
Excess (Deficiency) of Revenues Over Expenditures	\$ (390,798)	\$ (629,155)	\$ (239,768)	\$ 389,387
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 66,070	\$ 66,070
Sales of Capital Assets	-	-	3,256	3,256
Loan Proceeds	-	-	65,000	65,000
Transfers out	-	-	(24,245)	(24,245)
Total Other Financing Sources and Uses	\$ -	\$ -	\$ 110,081	\$ 110,081
Net Change in Fund Balances	\$ (390,798)	\$ (629,155)	\$ (129,687)	\$ 499,468
Fund Balance - January 1	\$ 3,368,699	\$ 3,368,699	\$ 3,368,699	\$ -
Prior Period Adjustment	\$ -	\$ -	\$ (144,760)	\$ -
Fund Balance - January 1, as restated	\$ 3,368,699	\$ 3,368,699	\$ 3,223,939	\$ -
Fund Balance - December 31	\$ 2,977,901	\$ 2,739,544	\$ 3,094,252	\$ 499,468

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

CAVALIER COUNTY

Budgetary Comparison Schedule – Special Revenue Fund
 For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 2,078,608	\$ 2,078,608	\$ 2,081,216	\$ 2,608
Intergovernmental	3,486,304	3,486,304	5,116,549	1,630,245
Charges for services	353,200	353,200	546,286	193,086
Miscellaneous	-	-	17,749	17,749
Total Revenues	\$ 5,918,112	\$ 5,918,112	\$ 7,761,800	\$ 1,843,688
EXPENDITURES				
Current				
General Government	\$ 10,000	\$ 10,000	\$ 96,993	\$ (86,993)
Public Safety	122,865	122,865	89,988	32,877
Highways & Bridges	2,514,520	2,514,520	2,370,329	144,191
Health & Welfare	2,911,674	2,911,674	3,008,587	(96,913)
Conservation of Natural Resources	393,669	393,669	296,126	97,543
Debt Service				
Principal	-	-	107,917	(107,917)
Interest	-	-	10,314	(10,314)
Total Expenditures	\$ 5,952,728	\$ 5,952,728	\$ 5,980,254	\$ (27,526)
Excess (Deficiency) of Revenues Over Expenditures	\$ (34,616)	\$ (34,616)	\$ 1,781,546	\$ 1,816,162
OTHER FINANCING SOURCES (USES)				
Sales of Capital Asset	\$ -	\$ -	\$ 8,008	\$ 8,008
Transfers in	-	-	3,960,146	3,960,146
Transfers out	-	-	(4,001,971)	(4,001,971)
Total Other Financing Sources and Uses	\$ -	\$ -	\$ (33,817)	\$ (33,817)
Net Change in Fund Balances	\$ (34,616)	\$ (34,616)	\$ 1,747,729	\$ 1,782,345
Fund Balances - January 1	\$ 4,338,966	\$ 4,338,966	\$ 4,338,966	\$ -
Fund Balances - December 31	\$ 4,304,350	\$ 4,304,350	\$ 6,086,695	\$ 1,782,345

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

CAVALIER COUNTY

Schedule of Employer's Share of Net Pension Liability and Employer Contributions
For the Year Ended December 31, 2022

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

COUNTY	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	0.296229%	\$ 8,531,592	\$ 3,438,731	248.10%	54.47%
2021	0.305185%	3,180,945	3,455,884	92.04%	78.60%
2020	0.303782%	9,557,047	3,351,077	285.19%	48.91%
2019	0.200146%	2,345,856	2,081,858	112.68%	71.66%
2018	0.195599%	3,300,946	2,009,422	164.27%	62.80%
2017	0.197433%	3,173,396	2,015,477	157.45%	61.98%
2016	0.191985%	1,871,081	1,934,759	96.71%	70.46%
2015	0.203720%	1,385,261	1,814,902	76.33%	77.15%
2014	0.195652%	1,241,845	1,648,126	75.35%	77.70%

HEALTH	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.015060%	\$ 433,738	\$ 174,821	248.10%	54.47%
2021	0.013929%	145,182	157,727	92.05%	78.60%
2020	0.010348%	325,550	114,147	285.20%	48.91%
2019	0.012051%	141,246	125,346	112.68%	71.66%
2018	0.011818%	199,442	121,410	164.27%	62.80%
2017	0.011507%	184,955	117,468	157.45%	61.98%
2016	0.011189%	109,048	112,758	96.71%	70.46%
2015	0.012405%	84,352	110,511	76.33%	77.15%
2014	0.012858%	81,612	108,312	75.35%	77.70%

JDA	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	0.004721%	\$ 135,968	\$ 54,807	248.09%	54.47%
2021	0.004448%	46,362	50,364	92.05%	78.60%
2020	0.004499%	141,540	49,632	285.18%	48.91%
2019	0.004701%	55,099	48,900	112.68%	71.66%
2018	0.004690%	79,149	48,186	164.26%	62.80%
2017	0.004578%	73,583	46,734	157.45%	61.98%
2016	0.004465%	43,516	45,000	96.70%	70.46%
2015	0.004849%	32,972	43,200	76.32%	77.15%
2014	0.004737%	30,067	39,900	75.36%	77.70%

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

CAVALIER COUNTY

Schedule of Employer's Share of Net Pension Liability and Employer Contributions – Continued
 For the Year Ended December 31, 2022

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

COUNTY	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2022	\$ 258,995	\$ 263,376	(4,381)	\$ 3,422,325	7.70%
2021	254,856	251,485	3,371	3,572,765	7.04%
2020	237,286	199,080	38,206	3,479,365	5.72%
2019	151,571	150,013	1,558	2,081,858	7.21%
2018	148,003	149,496	(1,493)	2,009,422	7.44%
2017	146,147	144,410	1,737	2,015,477	7.17%
2016	140,073	139,245	828	1,934,759	7.20%
2015	137,856	131,433	6,423	1,814,902	7.24%
2014	117,347	117,347	-	1,648,126	7.12%

HEALTH	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2022	\$ 13,167	\$ 13,017	150	\$ 182,140	7.15%
2021	11,632	11,419	213	161,565	7.07%
2020	8,083	13,580	(5,497)	141,840	9.57%
2019	9,126	8,924	202	125,346	7.12%
2018	8,942	8,644	298	121,410	7.12%
2017	8,518	8,364	154	117,468	7.12%
2016	8,164	8,680	(516)	112,758	7.70%
2015	8,394	7,868	526	110,511	7.12%
2014	7,712	7,712	-	108,312	7.12%

JDA	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2022	\$ 4,128	\$ 3,903	225	\$ 54,386	7.18%
2021	3,714	3,586	128	52,136	6.88%
2020	3,514	3,534	(20)	49,632	7.12%
2019	3,560	3,482	78	48,900	7.12%
2018	3,549	3,431	118	48,186	7.12%
2017	3,389	3,328	61	46,734	7.12%
2016	3,258	3,465	(207)	45,000	7.70%
2015	3,281	3,076	205	43,200	7.12%
2014	2,841	2,841	-	39,900	7.12%

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

CAVALIER COUNTY

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions
 For the Year Ended December 31, 2022

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

COUNTY	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2022	0.295313%	\$ 354,467	\$ 3,048,824	11.63%	56.28%
2021	0.300253%	166,993	3,273,530	5.10%	76.63%
2020	0.293962%	247,280	3,351,077	7.38%	63.38%
2019	0.186570%	149,851	2,081,858	7.20%	63.13%
2018	0.183640%	144,629	2,009,422	7.20%	61.89%
2017	0.186301%	147,366	2,015,477	7.31%	59.78%

HEALTH	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2022	0.012088%	\$ 14,509	\$ 124,794	11.63%	56.28%
2021	0.010454%	5,814	113,976	5.10%	76.63%
2020	0.010013%	8,423	114,147	7.38%	63.38%
2019	0.011233%	9,022	125,346	7.20%	63.13%
2018	0.011096%	8,739	121,410	7.20%	61.89%
2017	0.010858%	8,589	117,468	7.31%	59.78%

JDA	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2022	0.005309%	\$ 6,372	\$ 54,807	11.63%	56.28%
2021	0.004619%	2,569	50,364	5.10%	76.63%
2020	0.004354%	3,663	49,632	7.38%	63.38%
2019	0.004382%	3,520	48,900	7.20%	63.13%
2018	0.004404%	3,468	48,186	7.20%	61.89%
2017	0.004320%	3,417	46,734	7.31%	59.78%

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

CAVALIER COUNTY

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions – Continued
 For the Year Ended December 31, 2022

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

COUNTY	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2022	\$ 37,108	\$ 38,434	\$ (1,326)	\$ 3,422,325	1.12%
2021	39,365	38,892	473	3,572,765	1.09%
2020	39,368	31,875	7,493	3,479,365	0.92%
2019	24,212	24,019	193	2,081,858	1.15%
2018	23,569	23,936	(367)	2,009,422	1.19%
2017	23,429	23,122	307	2,015,477	1.15%

HEALTH	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	County's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2022	\$ 1,519	\$ 1,423	\$ 96	\$ 126,838	1.12%
2021	1,371	1,299	72	161,565	0.80%
2020	1,341	2,192	(851)	141,840	1.55%
2019	1,458	1,429	29	125,346	1.14%
2018	1,424	1,384	40	121,410	1.14%
2017	1,365	1,339	26	117,468	1.14%

JDA	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2022	\$ 667	\$ 625	\$ 42	\$ 54,386	1.15%
2021	606	574	32	52,136	1.10%
2020	583	566	17	49,632	1.14%
2019	569	558	11	48,900	1.14%
2018	565	549	16	48,186	1.14%
2017	543	533	10	46,734	1.14%

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

CAVALIER COUNTY

Notes to the Required Supplementary Information
For the Year Ended December 31, 2022

NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

NOTE 2 SCHEDULE OF EMPLOYER PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

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

NOTE 3: CHANGES OF BENEFIT TERMS – PENSION AND OPEB

Pension

The interest rate earned on member contributions decreased from 6.50 percent to 6.00 percent effective January 1, 2023 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System increased from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

OPEB

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

CAVALIER COUNTY

Notes to the Required Supplementary Information - Continued

NOTE 4: CHANGES OF ASSUMPTIONS – PENSION AND OPEB

Pensions

The investment return assumption was updated from 7.00% to 6.50% beginning with the actuarial valuation as of July 1, 2022. All other actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020.

OPEB

The investment return assumption was updated from 6.50% to 5.75% beginning with the actuarial valuation as of July 1, 2022. All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2021.

NOTE 5 LEGAL COMPLIANCE - BUDGETS

The board of County commissioners amended the budget for 2022 as follows::

	EXPENDITURES		
	Original Budget	Budget Amendment	Amended Budget
Major Funds			
General	\$ 3,829,798	\$ 238,357	\$ 4,068,155
Special Revenue	5,952,728	-	5,952,728

NOTE 6 EXPENDITURES IN EXCESS OF BUDGET

During fiscal year 2022, Cavalier County had the following in excess of budgeted amounts:

	EXPENDITURES		
	Final Budget	Actual	Excess
Special Revenue Fund	\$ 5,952,728	\$ 5,980,254	\$ 27,526

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

Independent Auditor's Report

Board of County Commissioners
Cavalier County
Langdon, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cavalier County as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Cavalier County's basic financial statements, and have issued our report thereon dated March 1, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of audit findings as items 2022-001, 2022-002, 2022-003 and 2022-004 that we consider to be material weaknesses.

CAVALIER COUNTY

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

Report on Compliance and Other Matters

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

Cavalier County's Response to Findings

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

Purpose of this Report

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
March 1, 2024

CAVALIER COUNTY
Summary of Auditor's Results
For the Year Ended December 31, 2022

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> </u> Yes	<u> X </u> None Noted

2022-001 AUDIT ADJUSTMENTS – COUNTY – MATERIAL WEAKNESS

Condition

During the audit of Cavalier County, we proposed material adjusting entries to the financial statements in accordance with generally accepted accounting principles (GAAP). The adjustments were approved by management and are reflected in the financial statements.

Effect

There is an increased risk of material misstatement to Cavalier County's financial statements.

Cause

Cavalier County may not have had procedures in place to ensure the financial statements are complete and accurate.

Criteria

Cavalier County is responsible for the presentation of its financial statements and related note disclosures to ensure it is reliable, accurate, free of material misstatement, and in accordance with GAAP.

Repeat Finding

No.

Recommendation

We recommend Cavalier County review its procedures for the preparation of the financial statements to ensure the financial statements are complete and accurate in accordance with GAAP.

Cavalier County's Response

We agree. We will continue to review all receivable and revenue entries to ensure each one is classified correctly.

2022-002 IMPROPER BANK RECONCILIATIONS – WATER RESOURCE DISTRICT – MATERIAL WEAKNESS

Condition

Prior to audit adjustments being proposed and accepted by management, the Cavalier County Water Resource District’s bank reconciliation presented a net difference of \$16,160 as of December 31, 2022 in comparison to its audited balance sheet.

Effect

The financial statements may have been materially misstated without the proposed audit adjustments. Furthermore, the 2022 cash balance would have been overstated by \$16,160.

Cause

The Cavalier County Water Resource District’s bank reconciliation register balance did not agree to the audited balance sheet due to the District including various voided checks and deposits in the amounts of \$3,264 on the December 2022 bank reconciliation as well as a carryforward adjustment that was not fixed in the amount of \$19,324 for a net difference of \$16,160.

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to the bank reconciliations, management is responsible policies and procedures for accurate and timely bank reconciliations.

Repeat Finding

Yes.

Recommendation

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

Cavalier County Water Resource District Response

We agree. We will use the contracting of the account to correct this and will have a sign off sheet from the chairman after review of reconciliations.

2022-003 AUDIT ADJUSTMENTS – WATER RESOURCE DISTRICT – MATERIAL WEAKNESS

Condition

During the audit of Cavalier County Water Resource District, we proposed multiple adjusting entries to the financial statements in accordance with generally accepted accounting principles (GAAP). The adjustments were approved by management and are reflected in the financial statements.

Effect

There is an increased risk of material misstatement to Cavalier County Water Resource District's financial statements.

Cause

Cavalier County Water Resource District improperly recorded revenues as negative expenditures or as equity transactions. In addition, the District may not have had procedures in place to ensure the financial statements are complete and accurate in accordance with GAAP.

Criteria

Cavalier County Water Resource District is responsible for the presentation of its financial statements and related note disclosures to ensure it is reliable, accurate, free of material misstatement, and in accordance with GAAP.

Repeat Finding

No.

Recommendation

We recommend Cavalier County Water Resource District refrains from recording revenues as negative expenditures or as equity transactions. In addition, we recommend that the District review its procedures for the preparation of the financial statements to ensure the financial statements are complete and accurate in accordance with GAAP.

Cavalier County Water Resource District Response

We agree. We will work with the contracted local accounting firm ensure everything is accurate in accordance with GAAP.

2022-004 LACK OF SEGREGATION OF DUTIES – COMPONENT UNITS – MATERIAL WEAKNESS

Condition

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

Effect

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

Cause

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

Criteria

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

Repeat Finding

Yes.

Recommendation

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

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

Cavalier County Library and Job Development Authority's Response

We agree. We will segregate duties as it becomes feasible.

Cavalier County Water Resource District's Response

We agree that a lack of segregation of duties exists due to limited personnel. We will segregate duties when feasible. The Cavalier County Water Resource District has contracted with a local accounting firm who will be reviewing financials.

CAVALIER COUNTY

Schedule of Audit Findings – Continued

Cavalier County Health District’s Response

We agree. Cavalier County Health District currently has the following practices in place to mitigate some risks associated with the lack of segregation of duties:

- **Accounts Payable**: The Administrative Assistant receives, enters, and cuts checks for bills. The Administrator reviews and maintains copies of bills related to grant reporting. CCHD has two signatures on all checks – the Administrator and one Board of Health member, or two Board of Health members.
- **Accounts Receivable**: Administrator submits requests for reimbursement (RFR) reports for grants. RFR reports are shared with the Administrative Assistant and matched to payments received. Any discrepancies are brought to the attention of the Administrator. All insurance payments received are reconciled by the Administrative Assistant and a summary is reviewed in profit and loss reports by the Administrator.
- **Financial Reports**: Monthly, quarterly, and annual financial reports are reviewed by the Administrator. Quarterly and annual financial reports are reviewed by the Board of Health. The Board of Health approves the financial reports in their quarterly meetings. Quarterly transaction list reports are reviewed and physically signed by the Board of Health.
- **Payroll**: CCHD’s pay scale is approved by the Board of Health. The Administrative Assistant runs payroll for the Board of Health, health officer, and employees. Administrative Assistant is not an employee of CCHD, but an employee of Cavalier County.

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GOVERNANCE COMMUNICATION

March 1, 2024

Board of County Commissioners
Cavalier County
Langdon, North Dakota

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cavalier County, North Dakota, for the year ended December 31, 2022. 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 October 16, 2023. Professional standards also require that we communicate to you with the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Cavalier County are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2022. We noted no transactions entered into by Cavalier County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the useful lives of capital assets is based on past history of each classification of capital assets. We evaluated the key factors and assumptions used to develop the useful lives 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.

CAVALIER COUNTY

Governance Communication – Continued

Corrected and Uncorrected Misstatements

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

	Audit Adjustments	
	<u>Debit</u>	<u>Credit</u>
Governmental Fund Adjustments		
Primary Government		
General Fund		
Prior Period Adjustment		
<u>To Remove Recorded Intergovernmental Receivable</u>		
Fund Balance	\$ 144,760	\$ -
Intergovernmental Receivable	-	144,760
Current Period Adjustments		
<u>To Record Intergovernmental Receivables</u>		
Intergovernmental Receivables	50,683	-
Revenue	-	50,683
<u>To Remove Recorded Intergovernmental Receivable</u>		
Revenue	144,761	-
Intergovernmental Receivable	-	144,761
<u>To Reclassify Miscellaneous Revenue</u>		
Miscellaneous Revenue	138,739	-
Intergovernmental Revenue	-	138,739
Special Revenue Fund		
<u>To Record Intergovernmental Receivables</u>		
Intergovernmental Receivables	54,209	-
Revenue	-	54,209
<u>To Remove Recorded Intergovernmental Receivable</u>		
Revenue	1,582,593	-
Intergovernmental Receivable	-	1,582,593
Component Unit - Job Development Authority		
<u>To Record Accounts Payable</u>		
Expenditures	23,608	-
Accounts Payable	-	23,608

CAVALIER COUNTY

Governance Communication – Continued

Component Unit - Water Resource District

To Adjust for Carryforward Uncorrected Recon Errors

Fund Balance	19,324	-
Cash	-	19,324

To Remove Voided Check from Expenditures

Cash	3,264	-
Expenditures	-	3,264

To Reclassify Negative Expenses and Equity Transactions to Charges for Service, Tax, and Miscellaneous Revenues

Expenditures	259,988	-
Equity	37,430	-
Tax Revenue	-	24,957
Miscellaneous Revenue	-	13,847
Charges for Services Revenue	-	258,614

To Reclassify Revenue to Other Financing Sources

Miscellaneous Revenue	13,885	-
OFS - Sale of Capital Assets	-	13,885

To Record Capital Asset Additions

Capital Assets	10,800	-
Expenditures	-	10,800

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 March 1, 2024.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

CAVALIER COUNTY

Governance Communication – Continued

Other Matters

We applied certain limited procedures to the *budgetary comparison information, schedule of employer’s share of net pension liability and employer contributions, schedule of employer’s share of net OPEB liability and employer contributions, and notes to the required supplementary information* which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

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

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
March 1, 2024



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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