

# Cavalier County

Langdon, North Dakota

# Audit Report

For the Year Ended  
December 31, 2014



ROBERT R. PETERSON  
STATE AUDITOR

Office of the State Auditor

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CAVALIER COUNTY  
Langdon, North Dakota

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For the Year Ended December 31, 2014

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CAVALIER COUNTY  
Langdon, North Dakota

COUNTY OFFICIALS

December 31, 2014

Richard Ring  
Tom Borgen  
Elsie Magnus  
Nick Moser  
Stanley Dick

Commissioner - Chairman  
Commissioner - Vice Chairman  
Commissioner  
Commissioner  
Commissioner

Dawn Roppel  
Cynthia Stremick  
David Zeis  
Vicki Kubat  
R.Scott Stewart  
Anita Beauchamp  
Terry Johnston  
Karen Kempert

Auditor  
Treasurer  
Sheriff  
County Recorder  
State's Attorney  
Clerk of Court  
Road Supervisor  
Emergency Manager

Current

Richard Ring  
Tom Borgen  
Elsie Magnus  
Nick Moser  
Stanley Dick

Commissioner - Chairman  
Commissioner - Vice Chairman  
Commissioner  
Commissioner  
Commissioner

Lisa Gellner  
Cynthia Stremick  
David Zeis  
Vicki Kubat  
R.Scott Stewart  
Anita Beauchamp  
Terry Johnston  
Karen Kempert

Auditor  
Treasurer  
Sheriff  
County Recorder  
State's Attorney  
Clerk of Court  
Road Supervisor  
Emergency Manager

**STATE AUDITOR**

ROBERT R. PETERSON  
Phone (701) 328-2241  
Fax (701) 328-1406



Local Government Division:  
FARGO OFFICE  
MANAGER – DAVID MIX  
Phone: (701) 239-7252 Fax: (701) 239-7251

STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
STATE CAPITOL  
600 E. BOULEVARD AVENUE - DEPT. 117  
BISMARCK, NORTH DAKOTA 58505

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INDEPENDENT AUDITOR'S REPORT

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Board of County Commissioners  
Cavalier County  
Langdon, North Dakota

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cavalier County, Langdon, North Dakota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cavalier County, Langdon, North Dakota, as of December 31, 2014, 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.

## CAVALIER COUNTY

### Independent Auditor's Report - Continued

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#### **Other Matters**

##### *Required Supplementary Information*

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.

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information* on pages 32-38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cavalier County's basic financial statements. The schedule of fund activity arising from cash transactions is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2015 on our consideration of Cavalier County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cavalier County's internal control over financial reporting and compliance.



Robert R. Peterson  
State Auditor

Fargo, North Dakota  
August 31, 2015

CAVALIER COUNTY  
Langdon, North Dakota

STATEMENT OF NET POSITION  
December 31, 2014

	Primary Governmental Activities	Component Units
<b>ASSETS</b>		
Cash, Cash Equivalents and Investments	\$ 7,172,531	\$ 703,911
Prepaid Benefits	-	41
Accounts Receivable	10,881	4,866
Intergovernmental Receivable	395,235	14,226
Road Accounts Receivable	40,370	-
Taxes Receivable	53,925	3,706
City Loans Receivable	-	347,587
Capital Assets (not being depreciated):		
Land	10,000	-
Construction in Progress	2,132,613	112,533
Capital Assets (net of accumulated depreciation):		
Buildings	210,000	-
Building Improvements	139,347	-
Vehicles & Equipment	1,537,706	36,169
Infrastructure	4,837,810	1,995,434
Total Capital Assets	<u>\$ 8,867,476</u>	<u>\$ 2,144,136</u>
Total Assets	<u>\$ 16,540,418</u>	<u>\$ 3,218,473</u>
<b>LIABILITIES:</b>		
Accounts Payable	\$ 46,708	\$ 39,616
Grants Received in Advance	281,469	-
Salaries and Benefits Payable	-	4,209
City Loans Payable	-	294,144
Interest Payable	15,466	2,310
Long-Term Liabilities:		
Due Within One Year:		
Bonds Payable	165,000	-
Loans Payable	141,738	203,158
Compensated Absences Payable	25,069	2,712
Due After One Year:		
Loans Payable	565,771	156,829
Compensated Absences Payable	225,619	24,408
Total Liabilities	<u>\$ 1,466,840</u>	<u>\$ 727,386</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Taxes Received in Advance	<u>\$ 1,159,770</u>	<u>\$ -</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 7,994,967	\$ 2,144,136
Restricted for:		
Public Safety	337,314	-
Highways & Bridges	1,021,907	-
Health & Welfare	620,021	187,016
Conservation of Natural Resources	142,599	138,377
Emergencies	39,381	-
Capital Projects	1,098,431	-
Economic Development	-	21,558
General Government	987,384	-
Unrestricted	<u>1,671,804</u>	<u>-</u>
Total Net Position	<u>\$ 13,913,808</u>	<u>\$ 2,491,087</u>

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

CAVALIER COUNTY  
Langdon, North Dakota

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Fees, Fines, Forteits & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Units
<b>Primary Government:</b>						
General Government	\$ 1,628,729	\$ 97,126	\$ 16,142	\$ -	\$ (1,515,461)	
Public Safety	751,663	191,666	113,083	-	(446,914)	
Highways & Bridges	1,881,513	308,782	1,690,929	2,132,174	2,250,372	
Health & Welfare	843,837	106,878	108,907	-	(628,052)	
Flood Repair	194,115	-	194,115	-	-	
Conservation of Natural Resources	242,780	-	1,200	-	(241,580)	
Other	18,500	-	-	-	(18,500)	
Interest and Fees on Long-Term Debt	24,979	-	-	-	(24,979)	
<b>Total Governmental Activities</b>	<b>\$ 5,586,116</b>	<b>\$ 704,452</b>	<b>\$ 2,124,376</b>	<b>\$ 2,132,174</b>	<b>\$ (625,114)</b>	
<b>Component Units:</b>						
Water Resource District	\$ 870,657	\$ 392,602	\$ 179,078	\$ -		\$ (298,977)
Health District	421,349	43,530	331,305	-		(46,514)
Job Development Authority	164,215	1,500	-	-		(162,715)
<b>Total Component Units</b>	<b>\$ 1,456,221</b>	<b>\$ 437,632</b>	<b>\$ 510,383</b>	<b>\$ -</b>		<b>\$ (508,206)</b>
<b>General Revenues:</b>						
<b>Taxes:</b>						
Property taxes; levied for general purposes					\$ 1,001,249	\$ 257,426
Property taxes; levied for special purposes					3,034,751	-
Sales taxes					-	29,468
Grants and contributions not restricted to specific programs					576,638	-
Unrestricted investment earnings					31,314	4,417
Miscellaneous revenue					101,520	20,288
<b>Total General Revenues</b>					<b>\$ 4,745,472</b>	<b>\$ 311,599</b>
<b>Change in Net Position</b>					<b>\$ 4,120,358</b>	<b>\$ (196,607)</b>
Net Position - January 1					\$ 6,629,305	\$ 2,720,192
Prior Period Adjustment					3,164,145	(32,498)
<b>Net Position - January 1, as restated</b>					<b>\$ 9,793,450</b>	<b>\$ 2,687,694</b>
<b>Net Position - December 31</b>					<b>\$ 13,913,808</b>	<b>\$ 2,491,087</b>

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

CAVALIER COUNTY  
Langdon, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS  
December 31, 2014

	General	Capital Projects	Farm to Market Road	County Road & Bridge	Highway Tax Distribution	County Poor
<b>ASSETS:</b>						
Cash and Cash Equivalents	\$ 1,667,348	\$ 1,104,351	\$ 112,183	\$ 38,389	\$ 1,551	\$ 731,819
Accounts Receivable	10,881	-	-	-	-	-
Intergovernmental Receivable	242,250	-	-	-	152,985	-
Road Receivables	-	-	-	40,370	-	-
Taxes Receivable	11,931	-	6,730	3,676	-	8,736
<b>Total Assets</b>	<b>\$ 1,932,410</b>	<b>\$ 1,104,351</b>	<b>\$ 118,913</b>	<b>\$ 82,435</b>	<b>\$ 154,536</b>	<b>\$ 740,555</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts Payable	\$ 11,646	\$ 5,920	\$ -	\$ 25,088	\$ -	\$ 4,054
Grants Received in Advance	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>\$ 11,646</b>	<b>\$ 5,920</b>	<b>\$ -</b>	<b>\$ 25,088</b>	<b>\$ -</b>	<b>\$ 4,054</b>
<b>Deferred Inflows of Resources:</b>						
Road Receivables	\$ -	\$ -	\$ -	\$ 40,370	\$ -	\$ -
Taxes Received in Advance	248,959	-	140,724	76,856	-	216,498
Taxes Receivable	11,931	-	6,730	3,676	-	8,736
<b>Total Deferred Inflows of Resources</b>	<b>\$ 260,890</b>	<b>\$ -</b>	<b>\$ 147,454</b>	<b>\$ 120,902</b>	<b>\$ -</b>	<b>\$ 225,234</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 272,536</b>	<b>\$ 5,920</b>	<b>\$ 147,454</b>	<b>\$ 145,990</b>	<b>\$ -</b>	<b>\$ 229,288</b>
<b>Fund Balances:</b>						
<b>Restricted for:</b>						
General Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Safety	-	-	-	-	-	-
Highways & Bridges	-	-	-	-	154,536	-
Health & Welfare	-	-	-	-	-	511,267
Conservation of Natural Resources	-	-	-	-	-	-
Emergencies	-	-	-	-	-	-
Capital Projects	-	1,098,431	-	-	-	-
<b>Unassigned:</b>	<b>1,659,874</b>	<b>-</b>	<b>(28,541)</b>	<b>(63,555)</b>	<b>-</b>	<b>-</b>
<b>Total Fund Balances</b>	<b>\$ 1,659,874</b>	<b>\$ 1,098,431</b>	<b>\$ (28,541)</b>	<b>\$ (63,555)</b>	<b>\$ 154,536</b>	<b>\$ 511,267</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 1,932,410</b>	<b>\$ 1,104,351</b>	<b>\$ 118,913</b>	<b>\$ 82,435</b>	<b>\$ 154,536</b>	<b>\$ 740,555</b>

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

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Social Service	FEMA	Other Governmental Funds	Total Governmental Funds
\$ 158	\$ 281,469	\$ 3,235,263	\$ 7,172,531
-	-	-	10,881
-	-	-	395,235
-	-	-	40,370
-	-	22,852	53,925
<u>\$ 158</u>	<u>\$ 281,469</u>	<u>\$ 3,258,115</u>	<u>\$ 7,672,942</u>

\$ -	\$ -	\$ -	\$ 46,708
-	281,469	-	281,469

\$ -	\$ 281,469	\$ -	\$ 328,177
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\$ -	\$ -	\$ -	\$ 40,370
-	-	476,733	1,159,770
-	-	22,852	53,925

\$ -	\$ -	\$ 499,585	\$ 1,254,065
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\$ -	\$ 281,469	\$ 499,585	\$ 1,582,242
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\$ -	\$ -	\$ 1,047,099	\$ 1,047,099
-	-	409,554	409,554
-	-	974,795	1,129,331
158	-	146,586	658,011
-	-	141,244	141,244
-	-	39,252	39,252
-	-	-	1,098,431
-	-	-	1,567,778

\$ 158	\$ -	\$ 2,758,530	\$ 6,090,700
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<u>\$ 158</u>	<u>\$ 281,469</u>	<u>\$ 3,258,115</u>	<u>\$ 7,672,942</u>
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CAVALIER COUNTY  
Langdon, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
December 31, 2014

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Total *Fund Balances* of Governmental Funds \$ 6,090,700

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

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

Cost of Capital Assets	\$ 11,271,057	
Less Accumulated Depreciation	<u>(2,403,581)</u>	
Net Capital Assets		8,867,476

Property taxes and road 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 inflows of resources in the funds.

Property Taxes Receivable	\$ 53,925	
Road Department Accounts Receivable	<u>40,370</u>	94,295

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term- are reported in the statement of net position. Balances at December 31, 2014 are the following:

Bonds Payable	\$ (165,000)	
Loans Payable	(707,509)	
Interest Payable	(15,466)	
Compensated Absences Payable	<u>(250,688)</u>	
Total Long-Term Liabilities		<u>(1,138,663)</u>

Total Net Position of Governmental Activities \$ 13,913,808

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

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CAVALIER COUNTY  
Langdon, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2014

	General	Capital Projects	Farm to Market Road	County Road & Bridge	Highway Tax Distribution	County Poor
<u>Revenues:</u>						
Taxes	\$ 1,000,706	\$ -	\$ 486,574	\$ 265,743	\$ -	\$ 630,714
Intergovernmental	707,282	2,169,360	945,273	-	708,470	-
Charges for Services	218,993	-	-	345,862	-	-
Licenses, Permits and Fees	1,500	-	-	-	-	-
Interest Income	28,651	2,663	-	-	-	-
Miscellaneous	96,768	-	-	-	-	-
<b>Total Revenues</b>	<b>\$ 2,053,900</b>	<b>\$ 2,172,023</b>	<b>\$ 1,431,847</b>	<b>\$ 611,605</b>	<b>\$ 708,470</b>	<b>\$ 630,714</b>
<u>Expenditures:</u>						
Current:						
General Government	\$ 987,535	\$ -	\$ -	\$ -	\$ -	\$ -
Public Safety	681,166	-	-	-	-	-
Highways & Bridges	-	1,075,292	1,491,103	1,421,139	-	-
Health & Welfare	29,520	-	-	-	-	54,034
Flood Repair	-	-	-	-	-	-
Conserv. of Natural Resources	-	-	-	-	-	-
Other	18,500	-	-	-	-	-
Debt Service:						
Principal	22,903	-	160,000	115,939	-	-
Interest	1,760	-	6,380	15,997	-	-
<b>Total Expenditures</b>	<b>\$ 1,741,384</b>	<b>\$ 1,075,292</b>	<b>\$ 1,657,483</b>	<b>\$ 1,553,075</b>	<b>\$ -</b>	<b>\$ 54,034</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 312,516	\$ 1,096,731	\$ (225,636)	\$ (941,470)	\$ 708,470	\$ 576,680
<u>Other Financing Sources (Uses):</u>						
Transfers in	\$ 3,412	\$ -	\$ 188,818	\$ 709,862	\$ -	\$ -
Loan/Debt Proceeds	-	-	-	200,730	-	-
Transfers out	-	-	-	(22,151)	(806,234)	(528,000)
<b>Total Other Financing Sources and Uses</b>	<b>\$ 3,412</b>	<b>\$ -</b>	<b>\$ 188,818</b>	<b>\$ 888,441</b>	<b>\$ (806,234)</b>	<b>\$ (528,000)</b>
<b>Net Change in Fund Balances</b>	<b>\$ 315,928</b>	<b>\$ 1,096,731</b>	<b>\$ (36,818)</b>	<b>\$ (53,029)</b>	<b>\$ (97,764)</b>	<b>\$ 48,680</b>
Fund Balances - January 1	\$ 1,343,034	\$ 1,700	\$ 8,277	\$ (10,526)	\$ 252,300	\$ 462,587
Prior Period Adjustment	912	-	-	-	-	-
<b>Fund Balance - Jan. 1, as restated</b>	<b>\$ 1,343,946</b>	<b>\$ 1,700</b>	<b>\$ 8,277</b>	<b>\$ (10,526)</b>	<b>\$ 252,300</b>	<b>\$ 462,587</b>
<b>Fund Balances - December 31</b>	<b>\$ 1,659,874</b>	<b>\$ 1,098,431</b>	<b>\$ (28,541)</b>	<b>\$ (63,555)</b>	<b>\$ 154,536</b>	<b>\$ 511,267</b>

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

Social Service	FEMA	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,649,058	\$ 4,032,795
105,875	194,115	2,813	4,833,188
106,878	-	68,299	740,032
-	-	-	1,500
-	-	-	31,314
500	-	4,252	101,520
<u>\$ 213,253</u>	<u>\$ 194,115</u>	<u>\$ 1,724,422</u>	<u>\$ 9,740,349</u>
\$ -	\$ -	\$ 654,360	\$ 1,641,895
-	-	55,679	736,845
-	-	15,400	4,002,934
751,800	-	10,445	845,799
-	194,115	-	194,115
-	-	236,833	236,833
-	-	-	18,500
-	-	-	298,842
-	-	-	24,137
<u>\$ 751,800</u>	<u>\$ 194,115</u>	<u>\$ 972,717</u>	<u>\$ 7,999,900</u>
<u>\$ (538,547)</u>	<u>\$ -</u>	<u>\$ 751,705</u>	<u>\$ 1,740,449</u>
\$ 528,000	\$ -	\$ 27,469	\$ 1,457,561
-	-	-	200,730
-	-	(101,176)	(1,457,561)
<u>\$ 528,000</u>	<u>\$ -</u>	<u>\$ (73,707)</u>	<u>\$ 200,730</u>
<u>\$ (10,547)</u>	<u>\$ -</u>	<u>\$ 677,998</u>	<u>\$ 1,941,179</u>
\$ 10,705	\$ -	\$ 2,080,532	\$ 4,148,609
-	-	-	912
<u>\$ 10,705</u>	<u>\$ -</u>	<u>\$ 2,080,532</u>	<u>\$ 4,149,521</u>
<u>\$ 158</u>	<u>\$ -</u>	<u>\$ 2,758,530</u>	<u>\$ 6,090,700</u>

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CAVALIER COUNTY  
Langdon, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2014

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Net Change in *Fund Balances* - Total Governmental Funds \$ 1,941,179

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. This is the amount by which capital outlay and capital contributions exceeded depreciation in the current year.

Current Year Capital Outlay	\$ 370,973	
Capital Grants and Contributions	2,132,174	
Current Year Depreciation Expense	<u>(419,654)</u>	2,083,493

In the statement of activities, only the gain on the sale of the capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold. (9,429)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The issuance of debt increases liabilities in the statement of net position. This is the amount by which debt repayment exceeded debt issuance during the current year.

Repayment of Debt - Bonds	\$ 160,000	
Issuance of Loans	(200,730)	
Repayment of Debt - Loans	<u>138,842</u>	<u>98,112</u>

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

Net Change in Interest Payable	\$ (842)	
Net Change in Contract Payable	53,854	
Net Change in Compensated Absences	<u>(12,134)</u>	40,878

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. This consists of the following:

Net Change in Taxes Receivable	\$ 3,205	
Net Change in Road Receivables	<u>(37,080)</u>	<u>(33,875)</u>

Change in Net Position of Governmental Activities \$ 4,120,358

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

CAVALIER COUNTY  
Langdon, North Dakota

COMBINING STATEMENT OF NET POSITION  
AGGREGATE DISCRETELY PRESENTED COMPONENT UNITS  
December 31, 2014

	Component Units			Totals
	Water Resource District	Health District	Job Development Authority	
<b>ASSETS</b>				
Cash, Cash Equivalents and Investments	\$ 484,263	\$ 190,189	\$ 29,459	\$ 703,911
Prepaid Benefits	6	35	-	41
Accounts Receivable	-	4,866	-	4,866
Intergovernmental Receivable	-	14,226	-	14,226
Taxes Receivable	1,185	827	1,694	3,706
Loans Receivable	-	-	347,587	347,587
Capital Assets (not being depreciated):				
Construction in Progress	112,533	-	-	112,533
Capital Assets (net of accumulated depreciation):				
Vehicles and Equipment	36,169	-	-	36,169
Infrastructure	1,995,434	-	-	1,995,434
Total Capital Assets	<u>\$ 2,144,136</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,144,136</u>
<b>Total Assets</b>	<u>\$ 2,629,590</u>	<u>\$ 210,143</u>	<u>\$ 378,740</u>	<u>\$ 3,218,473</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 39,616	\$ -	\$ -	\$ 39,616
City Loans Payable	-	-	294,144	294,144
Payroll Liabilities	3,586	-	623	4,209
Interest Payable	2,310	-	-	2,310
Long-Term Liabilities:				
Due Within One Year:				
Loans Payable	144,736	-	58,422	203,158
Compensated Absences Payable	-	2,313	399	2,712
Due After One Year:				
Loans Payable	156,829	-	-	156,829
Compensated Absences Payable	-	20,814	3,594	24,408
<b>Total Liabilities</b>	<u>\$ 347,077</u>	<u>\$ 23,127</u>	<u>\$ 357,182</u>	<u>\$ 727,386</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 2,144,136	\$ -	\$ -	\$ 2,144,136
Restricted for:				
Health & Welfare	-	187,016	-	187,016
Conservation of Natural Resources	138,377	-	-	138,377
Economic Development	-	-	21,558	21,558
<b>Total Net Position</b>	<u>\$ 2,282,513</u>	<u>\$ 187,016</u>	<u>\$ 21,558</u>	<u>\$ 2,491,087</u>

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

CAVALIER COUNTY  
Langdon, North Dakota

COMBINING STATEMENT OF ACTIVITIES  
AGGREGATE DISCRETELY PRESENTED COMPONENT UNITS  
For the Year Ended December 31, 2014

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						
	Expenses	Program Revenues		Component Units			Totals
		Charges for Services	Operating Grants and Contributions	Water Resource	Health District	Job Development Authority	
<u>Component Units:</u>							
Water Resource District	\$ 870,657	\$ 392,602	\$ 179,078	\$ (298,977)	\$ -	\$ -	\$ (298,977)
Health District	421,349	43,530	331,305	-	(46,514)	-	(46,514)
Job Development Authority	164,215	1,500	-	-	-	(162,715)	(162,715)
<b>Total Component Units</b>	<b>\$ 1,456,221</b>	<b>\$ 437,632</b>	<b>\$ 510,383</b>	<b>\$ (298,977)</b>	<b>\$ (46,514)</b>	<b>\$ (162,715)</b>	<b>\$ (508,206)</b>
<u>General Revenues:</u>							
Taxes:							
Taxes (general purposes)				\$ 84,432	\$ 51,641	\$ 121,353	\$ 257,426
Sales taxes				-	-	29,468	29,468
Unrestricted investment & interest earnings				2,293	623	1,501	4,417
Miscellaneous revenue				4,932	96	15,260	20,288
<b>Total General Revenues</b>				<b>\$ 91,657</b>	<b>\$ 52,360</b>	<b>\$ 167,582</b>	<b>\$ 311,599</b>
<b>Change in Net Position</b>				<b>\$ (207,320)</b>	<b>\$ 5,846</b>	<b>\$ 4,867</b>	<b>\$ (196,607)</b>
Net Position - January 1				\$ 2,489,833	\$ 181,170	\$ 49,189	\$ 2,720,192
Prior Period Adjustments				-	-	(32,498)	(32,498)
<b>Net Assets - January 1, as restated</b>				<b>\$ 2,489,833</b>	<b>\$ 181,170</b>	<b>\$ 16,691</b>	<b>\$ 2,687,694</b>
<b>Net Position - December 31</b>				<b>\$ 2,282,513</b>	<b>\$ 187,016</b>	<b>\$ 21,558</b>	<b>\$ 2,491,087</b>

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

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CAVALIER COUNTY  
Langdon, North Dakota

STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUNDS  
December 31, 2014

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	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$ 1,764,177</u>
<u>LIABILITIES</u>	
Due to Other Governments	<u>\$ 1,764,177</u>

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

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CAVALIER COUNTY  
Langdon, North Dakota  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2014

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Cavalier County, Langdon, 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.

**A. Reporting Entity**

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

Based on these criteria, there are three discretely presented component units to be included within Cavalier County as a reporting entity.

**COMPONENT UNITS**

In conformity with accounting principles generally accepted in the United States of America, the financial statements of the component units have been included in the financial reporting entity as aggregately discretely presented component units at the government wide level for reporting purposes with discretely presented combining statements following the government wide financial statements.

**Aggregate Discretely Presented Component Units:** The component unit column in the government wide basic financial statements includes the financial data of the county's three aggregate discretely presented component units. These component units are reported in one column in the government wide statements with the primary government to emphasize that they are legally separate from the county. Additionally, separate combining statements (statement of net position and statement of activities) for the aggregate discretely presented component units are presented.

**Cavalier County Water Resource District** - The County's governing board appoints the members of the Cavalier County 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 Unit** - The County's governing board is appointed by the county 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** - The County's governing board approves the Cavalier County 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 JDA board member appointments.

**CAVALIER COUNTY**

Notes to the Financial Statements - Continued

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**Related Organizations** - The County is accountable for the following legally separate entities because it appoints a voting majority to their governing boards. Although the county is not financially accountable for this entity, as defined by GASB Statement 14, the county did provide operating grants to them as follows:

	<b>2014</b>
County Library	\$98,780
Senior Citizens	93,737
Historical Society	8,211
County Ambulance	98,563

**B. Basis of Presentation**

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's and the component units 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 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. All remaining governmental funds are aggregated and reported as nonmajor funds.

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.

*Capital Projects Fund.* This fund accounts for state grants received for the Highway 55 slide project. The major primary source of revenue is restricted State grants/reimbursements for the project.

*Farm to Market Road Fund.* This fund accounts for repair and improvement of roads that are legally restricted from taxes levied.

*County Road & Bridge Fund.* This fund accounts for repair and improvement of highways and bridges that are legally restricted from taxes levied.

*Highway Tax Distribution Fund.* This fund accounts for the Highway Tax Distribution from the State to be used for the maintenance and repair of roads within the county. The major source of revenue is restricted state highway tax funds

*County Poor Fund.* This fund accounts for the taxes levied for social welfare programs that are transferred to the social welfare fund to help finance the costs of providing social service benefits and programs to needy residents of the county.

*Social Services Fund.* This fund accounts for the costs of providing social service benefits and programs to needy residents of the county. The major primary source of restricted revenue is State/Federal grants/reimbursements.

## CAVALIER COUNTY

### Notes to the Financial Statements - Continued

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*FEMA Fund.* This fund accounts for state and federal grants for flood disaster repairs and the related disbursements. The major primary source of revenue is restricted Federal and State grants/reimbursements for flood related repairs.

Additionally, the County reports the following fund type:

*Agency 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 primarily to account for property taxes collected on behalf of other governments.

#### C. 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 position 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.

#### D. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits, money market accounts and highly liquid short-term investments with original maturities of 3 months or less.

The investments of the county during the year ended December 31, 2014 consist of certificates of deposit stated at fair value.

#### E. Capital Assets

##### **PRIMARY GOVERNMENT:**

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.

**CAVALIER COUNTY**

## Notes to the Financial Statements - Continued

Per policy, general infrastructure assets acquired prior to January 1, 2004 consisting of various road and bridge network assets won't be reported in the financial statements, as the County is required to prospectively report infrastructure assets beginning January 1, 2004 as a Phase III GASB 34 implementation entity. 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.

Per policy, 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:

<b>Assets</b>	<b>Years</b>
Building Improvements	25
Buildings / County Shops	50 - 100
Equipment	5 - 20
Land / Land Improvements	Indefinite
Vehicles	5
Infrastructure	25

**DISCRETELY PRESENTED COMPONENT UNITS:**Capital Assets – Component Units:

Capital assets of the Cavalier County Water Resource District include infrastructure. Assets are reported in combined component unit 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. Capital assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add to the value of the capital asset or materially extend asset lives are not capitalized.

<b>Assets</b>	<b>Years</b>
Buildings / bathhouse	25
Equipment / mowers	5
Cat challenger	7
Infrastructure / dam	25

F. Compensated Absences

Vacation leave is earned at the rate of one to two working 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.

<b>Years of Service</b>	<b>Hours per Month</b>
0 thru 3 years	8
4 thru 7 years	10
8 thru 12 years	12
13 thru 18 years	14
Over 18 years	16

G. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations, such as compensated absences, are reported as liabilities in the governmental activities statement of net position. Bond premiums, discounts and issuance costs are recognized in the current period if the amounts are not material. If the amounts are material, they are capitalized and amortized over the life of the bonds.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

H. 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.

I. Fund Balances & Net Position

GASB Statement No. 54 established new fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

***Fund Balance Spending Policy:***

It is the policy of Cavalier 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.

***Major Special Revenue Fund Purposes & Revenue Sources:***

Purposes and major revenue sources of the major special revenue funds (county road & bridge, farm to market road, highway tax distribution, county poor, social service, and FEMA) are disclosed in more detail in Note 1B in the discussion of major funds.

***Minimum Fund Balance Policy:***

Cavalier County established a minimum unassigned general fund carryover balance of \$550,000, or at least 15 percent of budgeted general fund expenditures to help with financial stability. The minimum fund balance is a part of the county's fiscal policies. This level provides sufficient unassigned resources to avoid short-term cash flow borrowing for the county. Unassigned general fund balance of \$1,659,874 at December 31, 2014 represented 95% of annual 2014 general fund expenditures, and 98% of 2014 budgeted expenditures.

***Replenishing deficiencies*** – when fund balance falls below the minimum 15 percent range, the County will replenish shortages/deficiencies using the budget strategies and timeframes described below.

The following budgetary strategies shall be utilized by the County to replenish funding deficiencies:

- The County will reduce recurring expenditures to eliminate any structural deficit or,
- The County will increase revenues or pursue other funding sources, or,
- Some combination of the two options above.

**CAVALIER COUNTY**

Notes to the Financial Statements - Continued

**Minimum fund balance deficiencies** shall be replenished within the following time periods:

- Deficiency resulting in a minimum fund balance between 12.5 percent and 15 percent shall be replenished over a period not to exceed one year.
- Deficiency resulting in a minimum fund balance between 10 percent and 12.5 percent shall be replenished over a period not to exceed three years.
- Deficiency resulting in a minimum fund balance of less than 10 percent shall be replenished over a period not to exceed five years.

**GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions**

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

<b>CLASSIFICATION</b>	<b>DEFINITION</b>	<b>EXAMPLES</b>
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables, endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the governing board. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the business manager.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance; (b) A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes;	Available for any remaining general fund expenditure.

Cavalier County did not have any non-spendable balances, assigned fund balances, or committed balances reported in the balance sheet at December 31, 2014.

Restricted Fund Balances – consist of the following items at December 31, 2014:

Restricted fund balances are shown by primary function on the balance sheet for general government, public safety, highways and bridges, health and welfare, conservation of natural resources, and emergencies). Restricted fund balances are restricted by enabling legislation (primarily state law for tax levies) and by outside 3<sup>rd</sup> parties (State & Federal governments for various grants & reimbursements) totaling \$4,522,922.

**CAVALIER COUNTY**

Notes to the Financial Statements - Continued

Special Revenue Funds – Restricted & Committed Fund Balances:

- (a) Restricted by specified tax levies and/or restricted Federal & State grants/reimbursements:
- Restricted tax levies – includes fund balances for various tax levies other than the general fund.
  - Restricted grants/reimbursements – primarily includes social welfare/services and highways & bridges, as well as disaster type grants in FEMA funds, and other grant type funds.

Unassigned Fund Balances:

Unassigned fund balances at year-end 2014 consist of an amount in the general fund totaling \$1,659,874, and amounts reported for negative fund balances in the farm to market road fund (\$28,541), and the county road and bridge fund (\$63,555).

**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, and less any related debt to purchase/finance the construction of those capital assets. These assets are not available for future spending.

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

Restrictions of net position in the statement of net position are shown by primary function and are restricted for public safety, highways & bridges, health & welfare, conservation of natural resources, emergencies, and general government (health insurance, insurance reserve, veteran's service officer, and social security).

Unrestricted net position is primarily unrestricted amounts related to the general fund. The unrestricted net position is available to meet the district's ongoing obligations.

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

**NOTE 2: LEGAL COMPLIANCE - BUDGETS**

BUDGET AMENDMENTS

The board of county commissioners amended the county budgeted expenditures for 2014 as follows:

Fund	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
<u>Major Funds:</u>			
General Fund	\$1,692,661	\$ 37,076	\$1,729,738
Capital Projects Fund	-	1,069,327	1,069,327
Farm to Market Road Fund	876,123	781,359	1,657,482
County Poor Fund	46,700	3,281	49,981
FEMA Funds	-	194,115	194,115
<u>Special Revenue Funds:</u>			
Road and Bridge Equipment Replacement Fund	-	15,400	15,400
County Agent Fund	116,696	3,992	120,688
E911 Land Line Tax Fund	-	25,535	25,535
E911 Cell Phone Tax Fund	-	30,144	30,144
Document Preservation Fund	-	8,973	8,973

## CAVALIER COUNTY

### Notes to the Financial Statements - Continued

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#### NOTE 3: DEPOSITS

In accordance with North Dakota Statutes, Cavalier County and its component units consisting of the Job Development Authority, Health District, and the Water Resource District maintain deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

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

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

At year ended December 31, 2014, the county's bank balances totaled \$8,676,945 and the carrying amount of deposits totaled \$8,693,036. Of the bank balances, \$751,941 was covered by Federal Depository Insurance. The remaining balances totaling \$7,925,004 were entirely collateralized with securities held by the pledging financial institution's agent in the government's name totaling \$9,620,653 and \$16,393 was held at the Bank of North Dakota (not requiring collateralization).

The Job Development Authority's bank balances totaling \$99,295 were covered entirely by Federal Depository Insurance. The carrying amount of deposits totaled \$29,459. The Water Resource District's bank balances totaling \$511,034 and the carrying value of deposits totaled \$484,263. Of the bank balances, \$408,992 was covered by Federal Depository Insurance. The remaining balances totaling \$102,042 were entirely collateralized with securities held by the pledging financial institution's agent in the government's name totaling \$489,539. The Health Unit's bank balances totaling \$194,653 were entirely covered by Federal Depository Insurance. The carrying value of deposits totaled \$190,189.

#### Credit Risk:

The County and its component units may invest idle funds as authorized in North Dakota Statutes, as follows:

- (a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.
- (b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- (c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.

As of December 31, 2014, the County held certificates of deposit in the amount of \$185,469; the Water Resource District held \$5,374; and the Health Unit held \$63,089, which are all considered deposits.

**CAVALIER COUNTY**

Notes to the Financial Statements - Continued

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Concentration of Credit Risk:

The county and component units do not have a limit on the amount they may invest in any one issuer.

The county's latest bond rating was A1 as received from Moody's Investment Services.

**NOTE 4: ACCOUNTS RECEIVABLE**

Accounts receivable consists of amounts due for fees and services provided. No allowance for doubtful accounts has been established for estimated uncollectible accounts receivable.

**NOTE 5: INTERGOVERNMENTAL RECEIVABLE**

Intergovernmental receivables consist of amounts due from the state for the state and federal share of various social service programs, state aid, highway tax distribution and other state and federal grants.

**NOTE 6: ROAD ACCOUNTS RECEIVABLE**

Road department accounts receivable consists of amounts due for road work for individuals, townships and cities.

**NOTE 7: TAXES RECEIVABLE**

The taxes receivable represents the past two years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable because any defaults will be covered by enforcement of the liens.

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material collections are distributed after the end of the month.

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.

Most property owners choose to pay property taxes on or before February 15 and receive the 5% discount on the property taxes.

**NOTE 8: LOANS RECEIVABLE**

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

**CAVALIER COUNTY**

Notes to the Financial Statements - Continued

**NOTE 9: CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended December 31, 2014 for the primary government:

<b>Governmental Activities:</b>	<b>Balance January 1</b>	<b>Transfers</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>
<i>Capital assets not being depreciated:</i>					
Land	\$ 10,000	\$ -	\$ -	\$ -	\$ 10,000
Construction in Progress	3,171,543	(3,171,104)	2,132,174	-	2,132,613
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$3,181,543</b>	<b>\$(3,171,104)</b>	<b>\$2,132,174</b>	<b>\$ -</b>	<b>\$2,142,613</b>
<i>Capital assets, being depreciated:</i>					
Buildings	\$ 500,000	\$ -	\$ -	\$ -	\$ 500,000
Building Improvements	232,246	-	-	-	232,246
Vehicles & Equipment	2,310,539	-	370,973	172,000	2,509,512
Infrastructure	2,715,582	3,171,104	-	-	5,886,686
<b>Total Capital Assets, Being Depreciated</b>	<b>\$5,758,367</b>	<b>\$ 3,171,104</b>	<b>\$ 370,973</b>	<b>\$172,000</b>	<b>\$9,128,444</b>
<i>Less accumulated depreciation for:</i>					
Buildings	\$285,000	\$ -	\$ 5,000	\$ -	\$ 290,000
Building Improvements	83,609	-	9,290	-	92,899
Vehicles & Equipment	964,480	-	169,897	162,571	971,806
Infrastructure	813,409	-	235,467	-	1,048,876
<b>Total Accumulated Depreciation</b>	<b>\$2,146,498</b>	<b>\$ -</b>	<b>\$ 419,654</b>	<b>\$162,571</b>	<b>\$2,403,581</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$3,611,869</b>	<b>\$ 3,171,104</b>	<b>\$ (48,681)</b>	<b>\$ 9,429</b>	<b>\$6,724,863</b>
<b>Governmental Activities-Capital Assets, Net</b>	<b>\$3,621,869</b>	<b>\$ -</b>	<b>\$2,083,493</b>	<b>\$ 9,429</b>	<b>\$8,867,476</b>

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

<b>Governmental Activities:</b>	<b>Amounts</b>
General Government	\$ 22,364
Highways	376,640
Public Safety	9,951
Health & Wellness	4,986
Conservation of Natural Resources	5,713
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$419,654</b>

Water Resource District:

The following is a summary of changes in capital assets for the Cavalier County Water Resource District, a discretely presented component unit of Cavalier County, for the year ended December 31, 2014:

<b>Governmental Activities:</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>
<i>Capital assets, not being depreciated:</i>				
Construction in Progress	\$ -	\$ 112,533	\$ -	\$ 112,533
<i>Capital assets, being depreciated;</i>				
Equipment	\$ 67,885	\$ 12,924	\$12,737	\$ 68,072
Infrastructure	2,928,401	-	-	2,928,401
<b>Total Capital Assets, Being Depreciated</b>	<b>\$2,996,286</b>	<b>\$ 12,924</b>	<b>\$12,737</b>	<b>\$2,996,473</b>
<i>Less accumulated depreciation for:</i>				
Equipment	\$ 25,803	\$ 11,195	\$ 5,095	\$ 31,903
Infrastructure	815,831	117,136	-	932,967
<b>Total Accumulated Depreciation</b>	<b>\$ 841,634</b>	<b>\$ 128,331</b>	<b>\$ 5,095</b>	<b>\$ 964,870</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$2,154,652</b>	<b>\$(115,407)</b>	<b>\$ 7,642</b>	<b>\$2,031,603</b>
<b>Governmental Activities-Capital Assets, Net</b>	<b>\$2,154,652</b>	<b>\$ (2,874)</b>	<b>\$ 7,642</b>	<b>\$2,144,136</b>

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

**CAVALIER COUNTY**

## Notes to the Financial Statements - Continued

**NOTE 10: ACCOUNTS PAYABLE**

Accounts payable consists of a liability account reflecting amounts on open accounts owing to private persons or organizations for goods and services received prior to December 31.

**NOTE 11: GRANTS RECEIVED IN ADVANCE**

Grants received in advance consist of funds received in the FEMA fund where the eligibility requirements have not been met at December 31, 2014.

**NOTE 12: SALARIES AND BENEFITS PAYABLE**

Salaries and benefits payable consists of a liability account reflecting amounts owing to employees for work provided on behalf of the Water Resource District and Job Development Authority prior to December 31, 2014.

**NOTE 13: CITY LOANS PAYABLE**

City loans payable consists of balance due from the Cavalier County Job Development Authority to City of Langdon for loans issued from the city to the Job Development Authority for economic development projects that the JDA administers on behalf of the City of Langdon.

**NOTE 14: INTEREST PAYABLE**

Interest payable consists of the portion of interest accrued on long-term debt outstanding at December 31, 2014.

**NOTE 15: DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources in the balance sheet represent the amount of uncollected taxes, taxes paid in advance, and road receivables in the fund financial statements for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, uncollected taxes, taxes received in advance, and road receivables are measurable but not available. Deferred inflows of resources in the statement of net position represent the amount of taxes received in advance.

**NOTE 16: LONG-TERM DEBT**

**Changes in Long-Term Liabilities** - During the year ended December 31, 2014, the following changes occurred in governmental activities long-term liabilities for Cavalier County:

<b>Governmental Activities:</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>	<b>Due Within One Year</b>
Bonds Payable	\$ 325,000	\$ -	\$160,000	\$ 165,000	\$165,000
Loans Payable	645,621	200,730	138,842	707,509	141,738
Compensated Absences *	238,554	12,134	-	250,688	25,069
<b>Total Governmental Activities</b>	<b>\$1,200,865</b>	<b>\$212,864</b>	<b>\$298,842</b>	<b>\$1,123,197</b>	<b>\$331,807</b>

\* The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

**CAVALIER COUNTY**

Notes to the Financial Statements - Continued

Outstanding debt (excluding compensated absences) at December 31, 2014 for the primary government governmental activities consists of the following issues:

**Bonds Payable:**

\$800,000 Bonds Payable for a road project, due in yearly payments of \$155,000 to \$165,000 through November 1, 2015; interest at 2.8% \$165,000

**Loans Payable:**

\$232,263 Loan Payable for boiler, due in monthly installments of \$1,665 to \$2,048 through April 2, 2016; interest at 3.96% \$ 31,980

Motor Grader Loan #1 are due in annual installments of \$29,154 to \$70,000 through April 15, 2018; interest at 3.75% 124,044

Motor Grader Loan #2 are due in annual installments of \$26,069 through January 15, 2018; interest at 3% 96,842

Motor Grader Loan #5 are due in annual installments of \$31,358 through January 15, 2018; interest at 3% 200,730

Motor Grader Loan #3 are due in annual installments of \$24,310 through January 15, 2018; interest at 3% 90,319

Motor Grader Loan #4 are due in annual installments of \$29,766 through January 15, 2020; interest at 2.25% 163,594

Total Loans Payable \$707,509

The annual requirements to amortize outstanding debt of the primary government, excluding compensated absences are as follows:

<b>GOVERNMENTAL ACTIVITIES</b>				
<b>Year Ending December 31</b>	<b>Loans Payable</b>		<b>Bonds Payable</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2015	\$169,129	\$18,788	\$165,000	\$2,310
2016	156,799	14,717	-	-
2017	130,489	10,197	-	-
2018	105,354	6,148	-	-
2019	57,602	3,522	-	-
2020 - 2024	88,136	4,497	-	-
Total	<u>\$707,509</u>	<u>\$57,869</u>	<u>\$165,000</u>	<u>\$2,310</u>

**DISCRETELY PRESENTED COMPONENT UNITS:**

**Cavalier County Water Resource District:**

Changes in Long-Term Liabilities - During the year ended December 31, 2014, the following changes occurred in governmental long-term liabilities of the District:

<b>Governmental Activities:</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>	<b>Due Within One Year</b>
Loans Payable	\$66,614	\$562,023	\$327,073	\$301,565	\$144,736

**CAVALIER COUNTY**

Notes to the Financial Statements - Continued

Outstanding debt (excluding compensated absences) at December 31, 2014 for the Water Resource District consists of the following issues:

**Loan Payable – WRD:**

\$650,000 line of credit from Farmers Merchants State Bank for the Mulberry Creek Project Phase IV; with interest at 3.250% until paid in full. \$301,565

The annual requirement to amortize outstanding debt of the Water Resource District, excluding compensated absences are as follows:

<b>GOVERNMENTAL ACTIVITIES</b>		
<b>Year Ending December 31</b>	<b>Loans Payable</b>	
	<b>Principal</b>	<b>Interest</b>
2014	\$144,736	\$5,962
2015	156,829	-
<b>Totals</b>	<b>\$301,565</b>	<b>\$5,962</b>

**Job Development Authority:**

Changes in Long-Term Liabilities - During the year ended December 31, 2014, the following changes occurred in governmental long-term liabilities of the Authority:

<b>Governmental Activities:</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>	<b>Due Within One Year</b>
Loans Payable	\$75,000	\$ -	\$16,578	\$58,422	\$58,422
Compensated Absences *	6,707	-	2,717	3,993	399
<b>Total Governmental Activities</b>	<b>\$81,707</b>	<b>\$ -</b>	<b>\$19,292</b>	<b>\$62,415</b>	<b>\$58,821</b>

\* The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

Outstanding debt (excluding compensated absences) at December 31, 2014 for the Job Development Authority consists of the following issues:

**Loan Payable – JDA:**

\$75,000 line of credit from Choice Financial Group for the Boyd Block Project; with interest at 4.5% until paid in full. \$58,422

The annual requirement to amortize outstanding debt of the Job Development Authority, excluding compensated absences are as follows:

<b>GOVERNMENTAL ACTIVITIES</b>		
<b>Year Ending December 31</b>	<b>Loans Payable</b>	
	<b>Principal</b>	<b>Interest</b>
2015	\$58,422	\$2,629

**Cavalier County Health Unit:**

Changes in Long-Term Liabilities - During the year ended December 31, 2014, the following changes occurred in governmental long-term liabilities of the Unit:

<b>Governmental Activities:</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>	<b>Due Within One Year</b>
Compensated Absences *	\$18,868	\$4,259	\$ -	\$23,127	\$2,313

\* The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

**CAVALIER COUNTY**

## Notes to the Financial Statements - Continued

**NOTE 17: TRANSFERS**

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2014:

	<b>Transfers In</b>	<b>Transfers Out</b>
<b>Major Funds:</b>		
General Fund	\$ 3,412	\$ -
Farm to Market Roads	188,818	-
County Road and Bridge	709,862	22,151
Highway Tax Distribution	-	806,233
County Poor	-	528,000
Social Service	528,000	-
<b>Special Revenue Funds:</b>		
County Road	-	97,764
Road/Bridge Equipment Replacement	27,469	-
E911 Land Line Excise Tax	-	2,086
E911 Cell Phone Excise Tax	-	1,327
<b>Total Transfers</b>	<b>\$1,457,561</b>	<b>\$1,457,561</b>

**NOTE 18: PENSION PLAN**

The county and the county's component unit contribute to the North Dakota Public Employees' Retirement System (NDPERS), a cost-sharing multiple-employer defined benefit plan administered by the State of North Dakota. NDPERS provides for retirement, disability and survivor benefits to plan members and beneficiaries. Benefits and contributions provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. NDPERS issues a publicly available financial report that includes financial statements and required supplementary information for NDPERS. That report may be obtained by writing to NDPERS, 400 E. Broadway, Suite 505, PO Box 1214, Bismarck, ND, 58502-1214.

During January 1, 2014 through December 31, 2014, plan members were required to contribute 7% of their annual covered salary. The county has implemented a salary reduction agreement with plan members and is currently contributing the employee share. The county was required to contribute 8.26% of the employee's salary, which consists of 7.12% for employee retirement and 1.14% for the retiree health benefits fund. The contribution requirements of plan members and the county are established and may be amended by the State legislature. The public health district and job development authority has adopted the county's retirement benefit policy.

The County's required contributions to NDPERS for the years ending December 31, 2014, 2013, and 2012 were \$144,029, \$119,206, and \$96,785, respectively, and actual contributions to NDPERS for the years ending December 31, 2014, 2013, and 2012 were \$267,655, \$214,419, and \$174,040, respectively.

The Health District's required contributions to NDPERS for the years ending December 31, 2014, 2013, and 2012 were \$9,397, \$8,350, and \$7,064, respectively, and actual contributions to NDPERS for the years ending December 31, 2014, 2013, and 2012 were \$16,903, \$15,019, and \$12,706, respectively.

The Job Development Authority's required contributions to NDPERS for the years ending December 31, 2014, 2013, and 2012 were \$3,597, \$5,900, and \$7,446, respectively, and actual contributions to NDPERS for the years ending December 31, 2014, 2012, and 2011 were \$6,470, \$10,612, and \$13,393, respectively.

**CAVALIER COUNTY**

Notes to the Financial Statements - Continued

**NOTE 19: 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. Cavalier 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 two million dollars per occurrence for general liability and automobile and \$2,368,016 for public assets (mobile equipment and portable property).

Cavalier County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Cavalier 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 Cavalier County with blanket fidelity bond coverage in the amount of \$1,750,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage. The Water Resource District has \$90,715 of blanket fidelity bond coverage and the Health District has \$100,000 of blanket fidelity bond coverage.

Cavalier County participates in the workers compensation with the Workforce, Safety and Insurance and purchases commercial insurance for employee health and accident insurance.

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

**NOTE 20: JOINT VENTURES**

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

Summary financial information (the latest information available) as of and for the year ended December 31, 2007 is as follows:

	<b>Devils Lake Basin Joint WRD</b>
Total Assets	\$828,235
Total Liabilities	(20,051)
Total Net position	\$808,184
Revenues	\$848,156
Expenditures	918,404
Net Increase in Net position	\$ (70,248)

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

**CAVALIER COUNTY**

Notes to the Financial Statements - Continued

**NOTE 21: 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, 2014, there are three series of Community Development Block Grant Loans outstanding, with an aggregate principal amount payable of \$154,368.

**NOTE 22: PRIOR PERIOD ADJUSTMENTS**

Prior period errors were noted for the general fund, in loans payable, and in capital assets for cost and accumulated depreciation from the prior period for Cavalier County. The effect of the prior period adjustments to beginning Net Position is as follows:

<b>Governmental Activities (County):</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$6,629,305
<b>Adjustments to restate the January 1, 2014 Net Position:</b>	
Capital Assets (infrastructure) - Cost	3,171,543
Loan Payable – increase liability	(8,310)
General Fund – due from JDA	912
Net Position January 1, as restated	\$9,793,450

  

<b>General Fund Balance (County):</b>	<b>Amounts</b>
Beginning General Fund Balance, as previously reported	\$1,343,034
<b>Adjustments to restate the January 1, 2014 Fund Balance:</b>	
General Fund – due from JDA	912
General Fund Balance January 1, as restated	\$1,343,946

  

<b>Total Fund Balances (County):</b>	<b>Amounts</b>
Beginning Fund Balances, as previously reported	\$4,148,609
<b>Adjustments to restate the January 1, 2014 Fund Balances:</b>	
General Fund – due from JDA	912
Total Fund Balances January 1, as restated	\$4,149,521

  

<b>Governmental Activities (Job Development Authority):</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$49,189
<b>Adjustments to restate the January 1, 2014 net position:</b>	
Loan write-off	(32,498)
Total Net Position January 1, as restated	\$16,691

**NOTE 23: DEFICIT BALANCES**

The following funds were in a deficit fund balance position at December 31, 2014:

<b>Governmental Funds</b>	<b>Balance</b>
County Road & Bridge	\$(28,541)
Farm to Market Road	(63,555)

**CAVALIER COUNTY**

## Notes to the Financial Statements - Continued

The County anticipates alleviating negative fund balances from annual revenues and transfers.

**NOTE 24: CONSTRUCTION COMMITMENTS**

Cavalier Co. had the following open construction contract commitments as of December 31, 2014 as follows:

<b>Project</b>	<b>Original Contract</b>	<b>Change Orders</b>	<b>Total Contract w/Change Orders</b>	<b>Total Completed</b>	<b>Remaining Balance</b>	<b>% Complete</b>
Sarles Road	\$ 486,921	\$ -	\$ 486,921	\$ 450,136	\$ 36,785	92.45%
Golf Course Road	608,988	-	608,988	556,358	52,630	91.36%
Hampden Road	1,027,578	-	1,027,578	835,269	192,309	81.29%
Highway 55 Slide Project	1,551,117	23,504	1,574,621	290,850	1,283,771	18.47%
<b>Totals</b>	<b>\$3,674,605</b>	<b>\$23,504</b>	<b>\$3,698,109</b>	<b>\$2,132,613</b>	<b>\$1,565,496</b>	<b>73.41%</b>

Project contract amounts include engineering costs. There is retainage totaling \$106,263 on the Hampden Road and Highway 55 Slide projects outstanding at December 31, 2014 that is 90% covered by the North Dakota Department of Transportation and 10% covered by Cavalier County.

Cavalier County Water Resource District had one open construction commitment as of December 31, 2014 as follows:

<b>Project</b>	<b>Original Contract</b>	<b>Change Orders</b>	<b>Total Contract w/Change Orders</b>	<b>Total Completed</b>	<b>Remaining Balance</b>	<b>% Complete</b>
Bathhouse	\$175,677	\$ -	\$175,677	\$112,533	\$63,144	64.06%

CAVALIER COUNTY  
Langdon, North Dakota

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 1,000,700	\$ 1,000,700	\$ 1,000,706	\$ 6
Intergovernmental	2,986,232	2,986,232	707,282	(2,278,950)
Charges for Services	225,194	225,194	218,993	(6,201)
Licenses, Permits and Fees	1,500	1,500	1,500	-
Interest Income	31,100	31,100	28,651	(2,449)
Miscellaneous	92,800	92,800	96,768	3,968
<b>Total Revenues</b>	<b>\$ 4,337,526</b>	<b>\$ 4,337,526</b>	<b>\$ 2,053,900</b>	<b>\$ (2,283,626)</b>
<u>Expenditures:</u>				
Current:				
General Government	\$ 1,023,331	\$ 1,023,331	\$ 987,535	\$ 35,796
Public Safety	626,311	626,311	681,166	(54,855)
Health and Welfare	29,520	29,520	29,520	-
Capital outlay	13,500	50,576	-	50,576
Other	-	-	18,500	(18,500)
Debt Service:				
Principal	-	-	22,903	(22,903)
Interest & Service Charges	-	-	1,760	(1,760)
<b>Total Expenditures</b>	<b>\$ 1,692,662</b>	<b>\$ 1,729,738</b>	<b>\$ 1,741,384</b>	<b>\$ (11,646)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 2,644,864</b>	<b>\$ 2,607,788</b>	<b>\$ 312,516</b>	<b>\$ (2,295,272)</b>
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ -	\$ -	\$ 3,412	\$ 3,412
<b>Net Change in Fund Balances</b>	<b>\$ 2,644,864</b>	<b>\$ 2,607,788</b>	<b>\$ 315,928</b>	<b>\$ (2,291,860)</b>
Fund Balance - January 1	\$ 1,343,034	\$ 1,343,034	\$ 1,343,034	\$ -
Prior Period Adjustment	912	912	912	-
<b>Fund Balance - January 1, as restated</b>	<b>\$ 1,343,946</b>	<b>\$ 1,343,946</b>	<b>\$ 1,343,946</b>	<b>\$ -</b>
<b>Fund Balance - December 31</b>	<b>\$ 3,988,810</b>	<b>\$ 3,951,734</b>	<b>\$ 1,659,874</b>	<b>\$ (2,291,860)</b>

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

CAVALIER COUNTY  
Langdon, North Dakota

BUDGETARY COMPARISON SCHEDULE  
FARM TO MARKET ROAD FUND  
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 487,400	\$ 487,400	\$ 486,574	\$ (826)
Intergovernmental	955,000	955,000	945,273	(9,727)
<b>Total Revenues</b>	<b>\$ 1,442,400</b>	<b>\$ 1,442,400</b>	<b>\$ 1,431,847</b>	<b>\$ (10,553)</b>
<u>Expenditures:</u>				
Current:				
Highways & Bridges	\$ 876,123	\$ 1,657,482	\$ 1,491,103	\$ 166,379
Debt Service:				
Principal	-	-	160,000	(160,000)
Interest	-	-	6,380	(6,380)
<b>Total Expenditures</b>	<b>\$ 876,123</b>	<b>\$ 1,657,482</b>	<b>\$ 1,657,483</b>	<b>\$ (1)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 566,277</b>	<b>\$ (215,082)</b>	<b>\$ (225,636)</b>	<b>\$ (10,554)</b>
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ -	\$ -	\$ 188,818	\$ 188,818
<b>Net Change in Fund Balances</b>	<b>\$ 566,277</b>	<b>\$ (215,082)</b>	<b>\$ (36,818)</b>	<b>\$ 178,264</b>
Fund Balances - January 1	\$ 8,277	\$ 8,277	\$ 8,277	\$ -
<b>Fund Balances - December 31</b>	<b>\$ 574,554</b>	<b>\$ (206,805)</b>	<b>\$ (28,541)</b>	<b>\$ 178,264</b>

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

CAVALIER COUNTY  
Langdon, North Dakota

BUDGETARY COMPARISON SCHEDULE  
COUNTY ROAD & BRIDGE FUND  
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 265,000	\$ 265,000	\$ 265,743	\$ 743
Charges for Services	342,300	342,300	345,862	3,562
<b>Total Revenues</b>	<b>\$ 607,300</b>	<b>\$ 607,300</b>	<b>\$ 611,605</b>	<b>\$ 4,305</b>
<u>Expenditures:</u>				
Current:				
Highways & Bridges	\$ 1,551,386	\$ 1,551,386	\$ 1,220,409	\$ 330,977
Debt Service:				
Principal	-	-	115,939	(115,939)
Interest	-	-	15,997	(15,997)
<b>Total Expenditures</b>	<b>\$ 1,551,386</b>	<b>\$ 1,551,386</b>	<b>\$ 1,352,345</b>	<b>\$ 199,041</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (944,086)</b>	<b>\$ (944,086)</b>	<b>\$ (740,740)</b>	<b>\$ 203,346</b>
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ -	\$ 709,862	\$ 709,862
Transfers Out	-	-	(22,151)	(22,151)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 687,711</b>	<b>\$ 687,711</b>
<b>Net Change in Fund Balances</b>	<b>\$ (944,086)</b>	<b>\$ (944,086)</b>	<b>\$ (53,029)</b>	<b>\$ 891,057</b>
<b>Fund Balances - January 1</b>	<b>\$ (10,526)</b>	<b>\$ (10,526)</b>	<b>\$ (10,526)</b>	<b>\$ -</b>
<b>Fund Balances - December 31</b>	<b>\$ (954,612)</b>	<b>\$ (954,612)</b>	<b>\$ (63,555)</b>	<b>\$ 891,057</b>

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

CAVALIER COUNTY  
Langdon, North Dakota

BUDGETARY COMPARISON SCHEDULE  
HIGHWAY TAX DISTRIBUTION FUND  
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 630,400	\$ 630,400	\$ 708,470	\$ 78,070
<u>Expenditures:</u>				
Total Expenditures	\$ -	\$ -	\$ -	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ 630,400	\$ 630,400	\$ 708,470	\$ 78,070
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ -	\$ -	\$ (806,234)	\$ (806,234)
Net Change in Fund Balances	\$ 630,400	\$ 630,400	\$ (97,764)	\$ (728,164)
Fund Balances - January 1	\$ 252,300	\$ 252,300	\$ 252,300	\$ -
Fund Balances - December 31	\$ 882,700	\$ 882,700	\$ 154,536	\$ (728,164)

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

CAVALIER COUNTY  
Langdon, North Dakota

BUDGETARY COMPARISON SCHEDULE  
COUNTY POOR FUND  
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 632,400	\$ 632,400	\$ 630,714	\$ (1,686)
<u>Expenditures:</u>				
Current:				
Health & Welfare	\$ 46,700	\$ 49,981	\$ 54,034	\$ (4,053)
Excess (Deficiency) of Revenues Over Expenditures	\$ 585,700	\$ 582,419	\$ 576,680	\$ (5,739)
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ -	\$ -	\$ (528,000)	\$ (528,000)
Net Change in Fund Balances	\$ 585,700	\$ 582,419	\$ 48,680	\$ (533,739)
Fund Balances - January 1	\$ 462,587	\$ 462,587	\$ 462,587	\$ -
Fund Balances - December 31	\$ 1,048,287	\$ 1,045,006	\$ 511,267	\$ (533,739)

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

CAVALIER COUNTY  
Langdon, North Dakota

BUDGETARY COMPARISON SCHEDULE  
SOCIAL SERVICE FUND  
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 117,050	\$ 117,050	\$ 105,875	\$ (11,175)
Charges for Services	107,910	107,910	106,878	(1,032)
Miscellaneous	500	500	500	-
Total revenues	<u>\$ 225,460</u>	<u>\$ 225,460</u>	<u>\$ 213,253</u>	<u>\$ (12,207)</u>
<u>Expenditures:</u>				
Current:				
Health & Welfare	<u>\$ 784,381</u>	<u>\$ 784,381</u>	<u>\$ 751,800</u>	<u>\$ 32,581</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (558,921)</u>	<u>\$ (558,921)</u>	<u>\$ (538,547)</u>	<u>\$ 20,374</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 528,000</u>	<u>\$ 528,000</u>
Net Change in Fund Balances	<u>\$ (558,921)</u>	<u>\$ (558,921)</u>	<u>\$ (10,547)</u>	<u>\$ 548,374</u>
Fund Balances - January 1	<u>\$ 10,705</u>	<u>\$ 10,705</u>	<u>\$ 10,705</u>	<u>\$ -</u>
Fund Balances - December 31	<u><u>\$ (548,216)</u></u>	<u><u>\$ (548,216)</u></u>	<u><u>\$ 158</u></u>	<u><u>\$ 548,374</u></u>

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

CAVALIER COUNTY  
Langdon, North Dakota

BUDGETARY COMPARISON SCHEDULE  
FEMA FUND  
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 780	\$ 780	\$ 194,115	\$ 193,335
<u>Expenditures:</u>				
Current:				
Flood Repair	\$ -	\$ 194,115	\$ 194,115	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ 780	\$ (193,335)	\$ -	\$ 193,335
Net Change in Fund Balances	\$ 780	\$ (193,335)	\$ -	\$ 193,335
Fund Balances - January 1	\$ -	\$ -	\$ -	\$ -
Fund Balances - December 31	\$ 780	\$ (193,335)	\$ -	\$ 193,335

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

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CAVALIER COUNTY  
Langdon, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2014

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**NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information:

- The county commission adopts an “appropriated budget” on a basis consistent with accounting principles generally accepted in the United States (GAAP).
- The county auditor prepares an annual budget for the general fund and each special revenue fund of the county. NDCC 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. NDCC 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. NDCC 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. NDCC 57-15-31.1
- All appropriations lapse at year-end.

**NOTE 2: BUDGET TO ACTUAL AMOUNTS – ROAD & BRIDGE**

The county entered into a loan for a motor grader in 2014. The loan proceeds and corresponding expenditures were reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds, but were not reported on the budgetary comparison schedule in the road and bridge fund. The county didn’t budget for these funds and these transactions were not recorded on the county’s general ledger. The differences are as follows:

<b>Road &amp; Bridge Fund</b>	<b>Combined Statement</b>	<b>Adjustment</b>	<b>Budget to Actual</b>
Expenditures	\$1,553,075	\$(200,730)	\$1,352,345
Loan Proceeds	200,730	(200,730)	-

CAVALIER COUNTY  
Langdon, North Dakota

SCHEDULE OF FUND ACTIVITY - CLIENT BASIS  
For the Year Ended December 31, 2014

	Balance 1-1-14	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-14
<b>Primary Government:</b>						
<b>Major Funds:</b>						
General Fund	\$ 824,423.79	\$ 2,134,821.56	\$ 3,412.19	\$ -	\$ 1,729,737.66	\$ 1,232,919.88
State Revenue Sharing Invested	185,469.07	-	-	-	-	185,469.07
Total General Fund	\$ 1,009,892.86	\$ 2,134,821.56	\$ 3,412.19	\$ -	\$ 1,729,737.66	\$ 1,418,388.95
<b>Special Revenue Funds (Major):</b>						
Farm to Market Roads	\$ 462.65	\$ 1,439,661.79	\$ 188,817.44	\$ -	\$ 1,657,482.23	\$ (28,540.35)
County Road and Bridge	977.51	611,604.97	709,862.34	22,151.31	1,338,760.37	(38,466.86)
Highway Tax Distribution	177,375.56	630,409.03	-	806,233.35	-	1,551.24
County Poor	462,587.31	630,713.69	-	528,000.00	49,980.74	515,320.26
Social Service	450.86	223,507.49	528,000.00	-	751,800.29	158.06
FEMA	474,801.95	782.00	-	-	194,114.68	281,469.27
Total Major Special Revenue Funds	\$ 1,116,655.84	\$ 3,536,678.97	\$ 1,426,679.78	\$ 1,356,384.66	\$ 3,992,138.31	\$ 731,491.62
<b>Capital Projects Fund (Major):</b>						
Capital Projects Fund	\$ 1,699.63	\$ 2,172,023.90	\$ -	\$ -	\$ 1,069,372.81	\$ 1,104,350.72
Total Major Funds	\$ 2,128,248.33	\$ 7,843,524.43	\$ 1,430,091.97	\$ 1,356,384.66	\$ 6,791,248.78	\$ 3,254,231.29
<b>Non-Major Funds:</b>						
<b>Special Revenue Funds:</b>						
County Road	\$ 149,926.18	\$ 168,433.85	\$ -	\$ 97,764.12	\$ -	\$ 220,595.91
Road and Bridge Excess Levy	349,320.10	374,288.14	-	-	-	723,608.24
Road/Bridge Equipment Replacement	18,522.50	-	27,469.00	-	15,400.00	30,591.50
Emergency Fund	29,897.22	9,354.02	-	-	-	39,251.24
Veteran's Service Officer	70,899.15	16,102.45	-	-	10,444.90	76,556.70
Health Insurance	26,659.47	149,908.65	-	-	106,538.96	70,029.16
County Agent	60,802.38	149,718.07	-	-	120,687.62	89,832.83
Weed Control	37,296.54	121,288.09	-	-	107,172.32	51,412.31
Insurance Reserve	503,280.96	102,627.86	-	-	34,449.00	571,459.82
OASIS and Social Security	408,290.33	567,788.76	-	-	513,372.23	462,706.86
E911 Land Line Excise Tax	195,752.27	25,191.17	-	2,085.32	25,534.53	193,323.59
E911 Cell Phone Excise Tax	207,586.17	34,362.31	-	1,326.87	30,144.34	210,477.27
Hazardous Chemicals (Emg. Mgr. Trust)	4,140.04	1,612.50	-	-	-	5,752.54
Document Preservation	13,158.65	8,745.99	-	-	8,972.68	12,931.96
Total Non-Major Special Revenue Funds	\$ 2,075,531.96	\$ 1,729,421.86	\$ 27,469.00	\$ 101,176.31	\$ 972,716.58	\$ 2,758,529.93
Total Governmental Funds	\$ 4,203,780.29	\$ 9,572,946.29	\$ 1,457,560.97	\$ 1,457,560.97	\$ 7,763,965.36	\$ 6,012,761.22
<b>Agency Funds:</b>						
Sheriff Trust	\$ 599.00	\$ 887.00	\$ -	\$ -	\$ 80.00	\$ 1,406.00
Victims Assistance Fund	1,675.00	1,475.00	-	-	1,675.00	1,475.00
County Library (Agency)	4,113.25	99,515.81	-	-	98,779.83	4,849.23
Historical Society (Agency)	550.04	9,354.02	-	-	8,211.02	1,693.04
County Ambulance (Agency)	6,609.63	112,289.07	-	-	98,562.85	20,335.85
Estimated Mobile Homes	1,745.92	2,040.93	-	-	3,786.85	-
State Medical Center Levy	123.64	37,488.73	-	-	37,544.70	67.67
Job Development Authority	382.70	121,142.42	-	-	121,324.32	200.80
Game and Fish (State)	11,590.00	10,341.00	-	-	12,843.00	9,088.00
Soil Conservation District	4,314.29	74,956.07	-	-	65,608.54	13,661.82
Domestic Violence Prevention	-	525.00	-	-	525.00	-
Senior Citizens	2,052.35	105,242.27	-	-	93,737.49	13,557.13
NDSU County Agent Trust	6,260.68	6,836.23	-	-	6,309.20	6,787.71
Cavalier County Health District	3,811.20	58,487.92	-	-	51,649.62	10,649.50
Cav. County Water Resource District	5,689.41	83,393.06	-	-	84,466.04	4,616.43
Total Drains	132.73	13,234.16	-	-	13,366.89	-
Drain Maintenance	13,862.52	249,101.49	-	-	256,269.93	6,694.08
Total Cities, Parks & Townships	112,839.70	1,845,552.59	-	-	1,854,006.39	104,385.90
Total School Districts	102,880.61	2,388,260.32	-	-	2,349,280.87	141,860.06
Total Rural Fire Protection Districts	6,976.20	126,828.81	-	-	110,921.68	22,883.33
Total Agency Funds	\$ 286,208.87	\$ 5,346,951.90	\$ -	\$ -	\$ 5,268,949.22	\$ 364,211.55
Total Primary Government	\$ 4,489,989.16	\$ 14,919,898.19	\$ 1,457,560.97	\$ 1,457,560.97	\$ 13,032,914.58	\$ 6,376,972.77

**STATE AUDITOR**

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**OFFICE OF THE STATE AUDITOR**  
STATE CAPITOL  
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BISMARCK, NORTH DAKOTA 58505

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

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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, Langdon, North Dakota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Cavalier County's basic financial statements, and have issued our report thereon dated August 31, 2015.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Cavalier County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 is required to be reported under *Government Auditing Standards*.

**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

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**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.



Robert R. Peterson  
State Auditor

Fargo, North Dakota  
August 31, 2015



**STATE AUDITOR**

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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, Langdon, North Dakota, for the year ended December 31, 2014 which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 31, 2015. Professional standards require that we provide you with the following information related to our audit.

**OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, AND GOVERNMENT AUDITING STANDARDS**

As stated in our engagement letter dated August 7, 2015, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

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

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

**SIGNIFICANT ACCOUNTING POLICIES/QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Cavalier County are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

**CORRECTED AND UNCORRECTED MISSTATEMENTS**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

**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 August 31, 2015.

**MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS**

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

**DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT**

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

**OTHER AUDIT FINDINGS OR ISSUES**

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

The following presents our informal recommendation:

\*\*\*\*\*

**SEGREGATION OF DUTIES – COMPONENT UNITS**

The Cavalier County Water Resource District, Cavalier County Jobs Development Authority, and Cavalier County Public Health Unit each have one/two staff members responsible for the primary accounting functions. A lack of segregation of duties exists as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and perform bank reconciliations. The lack of adequate segregation of duties in the check writing and mailing process, for Cavalier County Water Resource District, Cavalier County Jobs Development Authority, and Cavalier County Public Health Unit exposes these entities to risk of loss of assets, potential liabilities, and damage to the reputation of these entities, whether due to error or fraud.

Due to the size, complexity, and the economic realities of the County Water Resource District, Cavalier County Jobs Development Authority, and the Cavalier County Public Health Unit, it is presently not feasible to obtain proper separation of duties. We recommend that if it becomes feasible to segregate duties in the future, that duties are segregated to the extent possible to reduce the potential risk of loss.

\*\*\*\*\*

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

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



Robert R. Peterson  
State Auditor

Fargo, North Dakota  
August 31, 2015

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