



# Cavalier County

Langdon, North Dakota

## Audit Report

For the Year Ended December 31, 2017

**JOSHUA C. GALLION**  
STATE AUDITOR

Office of the State Auditor  
Division of Local Government

# CAVALIER COUNTY

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For the Year Ended December 31, 2017

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**CAVALIER COUNTY**

County Officials and Audit Personnel  
December 31, 2017

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**COUNTY OFFICIALS**

Elsie Magnus  
Dave Zeis  
Richard Ring  
Nick Moser  
Stanley Dick

Commissioner – Chairperson  
Commissioner – Vice Chairperson  
Commissioners  
Commissioner  
Commissioner

Lisa Gellner  
Cynthia Stremick  
Greg Fetsch  
Vicki Kubat  
R. Scott Stewart  
Anita Beauschamp  
Terry Johnston  
Karen Kempert

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

**AUDIT PERSONNEL**

Craig Hashbarger, CPA, CIA, CFE  
Alex Bakken, CPA

Audit Manager  
Audit In-Charge

**STATE AUDITOR**

JOSHUA C. GALLION  
Phone (701) 328-2241



Local Government Division  
FARGO OFFICE  
MANAGER – CRAIG HASHBARGER  
Phone (701)239-7250

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

**INDEPENDENT AUDITOR’S REPORT**

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, 2017, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements as listed in the table of contents.

**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, 2017, 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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**Emphasis of a Matter**

As discussed in Note 16 to the financial statements, Cavalier County adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefit Plans Other Than Pensions. Our opinion is not modified with respect to this matter.

**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 schedules, schedule of employer's share of net pension liability and employer contributions, schedule of employer's share of net OPEB liability and employer contributions, and the notes to the required supplementary information* on pages 33-44 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- cash basis* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The *schedule of fund activity - cash basis* 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 - cash basis* 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 October 29, 2018 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.

/S/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
October 29, 2018

**CAVALIER COUNTY**

## Statement of Net Position

December 31, 2017

	Primary Government	
	Governmental Activities	Component Units
<b>ASSETS</b>		
Cash, Cash Equivalents and Investments	\$ 8,187,213	\$ 853,573
Accounts Receivable	26,977	10,239
Intergovernmental Receivable	179,826	8,388
Road Accounts Receivable	38,244	-
Taxes Receivable	58,517	3,941
Loans Receivable	232,073	377,906
Capital Assets, Net	13,899,969	1,861,745
Total Assets	<u>\$ 22,622,819</u>	<u>\$ 3,115,792</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Derived from Pensions and OPEB	\$ 1,523,635	\$ 122,015
<b>LIABILITIES</b>		
Accounts Payable	\$ 18,293	\$ -
Grants Received in Advance	317,206	-
Salaries and Benefits Payable	-	3,309
City Loans Payable	-	339,870
Retainages Payable	1,731	-
Interest Payable	15,682	531
Long-Term Liabilities:		
Due Within One Year		-
Long-Term Debt	476,765	10,064
Compensated Absences	28,177	3,239
Due Outside One Year		-
Long-Term Debt	844,422	17,672
Compensated Absences	253,591	29,145
Net Pension & OPEB Liability	3,320,762	270,554
Total Liabilities	<u>\$ 5,276,629</u>	<u>\$ 674,384</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Taxes Received in Advance	\$ 1,506,858	\$ -
Derived from Pensions and OPEB	153,826	17,067
Total Deferred Inflows of Resources	<u>\$ 1,660,684</u>	<u>\$ 17,067</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 12,795,838	\$ 1,853,426
Restricted		
Highways & Bridges	1,631,958	-
Flood Repair	-	-
Health & Welfare	459,546	123,000
Culture & Recreation	-	98,740
Conservation of Natural Resources	276,309	324,999
Emergencies	72,621	-
Economic Development	-	146,191
Unrestricted	1,972,869	-
Total Net Position	<u>\$ 17,209,141</u>	<u>\$ 2,546,356</u>

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

# CAVALIER COUNTY

## Statement of Activities

For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Fees, Fines, Forfeits & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Units
<b>Primary Government</b>						
General Government	\$ 2,064,482	\$ 119,693	\$ 482,408	\$ -	\$ (1,462,381)	
Public Safety	1,312,364	224,587	161,951	-	(925,826)	
Highways & Bridges	3,726,843	275,354	1,371,264	181,584	(1,898,641)	
Health & Welfare	897,336	113,449	98,507	-	(685,380)	
Economic Development	24,000	-	-	-	(24,000)	
Conservation of Natural Resources	308,192	11,601	40,920	-	(255,671)	
Interest and Fees on Long-Term Debt	20,831	-	-	-	(20,831)	
<b>Total Governmental Activities</b>	<b>\$ 8,354,048</b>	<b>\$ 744,684</b>	<b>\$ 2,155,050</b>	<b>\$ 181,584</b>	<b>\$ (5,272,730)</b>	
<b>Component Units</b>						
Water Resource District	\$ 624,087	\$ 338,346	\$ 1,500	\$ -	\$ -	\$ (284,241)
Health District	419,315	83,803	251,688	-	-	(83,824)
Job Development Authority	689,175	5,917	604,620	-	-	(78,638)
County Library	110,981	1,564	11,543	-	-	(97,874)
<b>Total Component Units</b>	<b>\$ 1,843,558</b>	<b>\$ 429,630</b>	<b>\$ 869,351</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (544,577)</b>
<b>General Revenues</b>						
<b>Taxes:</b>						
Property taxes; levied for general purposes				\$ 1,849,955	\$ 395,861	
Property taxes; levied for special purposes				2,534,715	-	
Sales taxes				-	47,511	
Grants and contributions not restricted to specific programs				447,800	-	
Unrestricted investment earnings				34,768	3,279	
Miscellaneous revenue				126,545	13,580	
<b>Total General Revenues</b>				<b>\$ 4,993,783</b>	<b>\$ 460,231</b>	
<b>Change in Net Position</b>				<b>\$ (278,947)</b>	<b>\$ (84,346)</b>	
Net Position - January 1				\$ 17,636,012	\$ 2,544,525	
Prior Period Adjustment				(147,924)	86,177	
<b>Net Position - January 1, as restated</b>				<b>\$ 17,488,088</b>	<b>\$ 2,630,702</b>	
<b>Net Position - December 31</b>				<b>\$ 17,209,141</b>	<b>\$ 2,546,356</b>	

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

# CAVALIER COUNTY

## Balance Sheet – Governmental Funds

December 31, 2017

	Special Revenue							
	General	Farm to Market Road	County Road & Bridge	Road and Bridge Excess Levy	County Poor	FEMA Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>								
Cash and Cash Equivalents	\$ 3,549,776	\$ 619,044	\$ 274,367	\$ 1,292,116	\$ 750,071	\$ 317,206	\$ 1,384,633	\$ 8,187,213
Accounts Receivable	26,977	-	-	-	-	-	-	26,977
Intergovernmental Receivable	115,382	-	-	-	-	-	64,444	179,826
Loan Receivables	232,073	-	-	-	-	-	-	232,073
Road Receivables	-	-	38,244	-	-	-	-	38,244
Taxes Receivable	24,344	8,183	11,394	-	7,424	-	7,172	58,517
<b>Total Assets</b>	<b>\$ 3,948,552</b>	<b>\$ 627,227</b>	<b>\$ 324,005</b>	<b>\$ 1,292,116</b>	<b>\$ 757,495</b>	<b>\$ 317,206</b>	<b>\$ 1,456,249</b>	<b>\$ 8,722,850</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>								
<b>Liabilities:</b>								
Accounts Payable	\$ -	\$ -	\$ -	\$ 18,293	\$ -	\$ -	\$ -	\$ 18,293
Grants Received in Advance	-	-	-	-	-	317,206	-	317,206
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 18,293</b>	<b>\$ -</b>	<b>\$ 317,206</b>	<b>\$ -</b>	<b>\$ 335,499</b>
<b>Deferred Inflows of Resources:</b>								
Road Receivables	\$ -	\$ -	\$ 38,244	\$ -	\$ -	\$ -	\$ -	\$ 38,244
Taxes Received in Advance	725,591	253,784	353,344	-	-	-	174,139	1,506,858
Taxes Receivable	24,344	8,183	11,394	-	7,424	-	7,172	58,517
<b>Total Deferred Inflows of Resources</b>	<b>\$ 749,935</b>	<b>\$ 261,967</b>	<b>\$ 402,982</b>	<b>\$ -</b>	<b>\$ 7,424</b>	<b>\$ -</b>	<b>\$ 181,311</b>	<b>\$ 1,603,619</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 749,935</b>	<b>\$ 261,967</b>	<b>\$ 402,982</b>	<b>\$ 18,293</b>	<b>\$ 7,424</b>	<b>\$ 317,206</b>	<b>\$ 181,311</b>	<b>\$ 1,939,118</b>
<b>Fund Balances:</b>								
<b>Nonspendable</b>								
General Government	\$ 232,073	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 232,073
<b>Restricted</b>								
General Government	-	-	-	-	-	-	23,572	23,572
Public Safety	-	-	-	-	-	-	324,651	324,651
Highways & Bridges	-	365,260	-	1,273,823	-	-	414,662	2,053,745
Health & Welfare	-	-	-	-	750,071	-	92,263	842,334
Conservation of Natural Resources	-	-	-	-	-	-	347,326	347,326
Emergencies	-	-	-	-	-	-	72,464	72,464
Unassigned	2,966,544	-	(78,977)	-	-	-	-	2,887,567
<b>Total Fund Balances</b>	<b>\$ 3,198,617</b>	<b>\$ 365,260</b>	<b>\$ (78,977)</b>	<b>\$ 1,273,823</b>	<b>\$ 750,071</b>	<b>\$ -</b>	<b>\$ 1,274,938</b>	<b>\$ 6,783,732</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 3,948,552</b>	<b>\$ 627,227</b>	<b>\$ 324,005</b>	<b>\$ 1,292,116</b>	<b>\$ 757,495</b>	<b>\$ 317,206</b>	<b>\$ 1,456,249</b>	<b>\$ 8,722,850</b>

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



# CAVALIER COUNTY

## Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position December 31, 2017

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**Total Fund Balances - Governmental Funds** \$ 6,783,732

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	\$ 18,176,691	
Less Accumulated Depreciation	<u>(4,276,722)</u>	13,899,969

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	\$ 58,517	
Road Department Accounts Receivable	<u>38,244</u>	96,761

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

Deferred Outflows Related to Pensions and OPEB	\$ 1,523,635	
Deferred Inflows Related to Pensions and OPEB	<u>(153,826)</u>	1,369,809

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, 2017 are the following:

Loans Payable	\$ (1,321,187)	
Retainage Payable	(1,731)	
Interest Payable	(15,682)	
Compensated Absences Payable	(281,768)	
Net Pension and OPEB Liability	<u>(3,320,762)</u>	<u>(4,941,130)</u>

**Total Net Position of Governmental Activities** \$ 17,209,141

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

# CAVALIER COUNTY

## Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds For the Year Ended December 31, 2017

	Special Revenue							Total Governmental Funds
	General	Farm to Market Road	County Road & Bridge	Road and Bridge Excess Levy	County Poor	FEMA Funds	Nonmajor Governmental Funds	
<b>REVENUES</b>								
Taxes	\$ 1,849,543	\$ 622,036	\$ 863,789	\$ 2,070	\$ 525,842	\$ -	\$ 529,411	\$ 4,392,691
Intergovernmental	616,599	-	-	778,281	-	-	1,207,970	2,602,850
Charges for Services	272,405	-	330,909	-	-	-	195,616	798,930
Licenses, Permits and Fees	1,310	-	-	-	-	-	-	1,310
Interest Income	34,768	-	-	-	-	-	-	34,768
Miscellaneous	55,895	334	60,162	-	-	-	10,154	126,545
<b>Total Revenues</b>	<b>\$ 2,830,520</b>	<b>\$ 622,370</b>	<b>\$ 1,254,860</b>	<b>\$ 780,351</b>	<b>\$ 525,842</b>	<b>\$ -</b>	<b>\$ 1,943,151</b>	<b>\$ 7,957,094</b>
<b>EXPENDITURES</b>								
Current:								
General Government	\$ 1,871,288	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,037	\$ 1,904,325
Public Safety	1,141,307	-	-	-	-	-	85,019	1,226,326
Highways & Bridges	-	434,330	1,605,861	1,049,950	-	-	559,677	3,649,818
Health & Welfare	56,425	-	-	-	98	-	793,264	849,787
Economic Development	24,000	-	-	-	-	-	-	24,000
Conserv. of Natural Resources	-	-	-	-	-	-	309,647	309,647
Debt Service:								
Principal	-	-	168,845	-	-	-	-	168,845
Interest	1,159	-	12,829	-	-	-	-	13,988
<b>Total Expenditures</b>	<b>\$ 3,094,179</b>	<b>\$ 434,330</b>	<b>\$ 1,787,535</b>	<b>\$ 1,049,950</b>	<b>\$ 98</b>	<b>\$ -</b>	<b>\$ 1,780,644</b>	<b>\$ 8,146,736</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (263,659)	\$ 188,040	\$ (532,675)	\$ (269,599)	\$ 525,744	\$ -	\$ 162,507	\$ (189,642)
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers In	\$ 175,438	\$ -	\$ 683,333	\$ 413,975	\$ -	\$ -	\$ 646,291	\$ 1,919,037
Loan/Debt Proceeds	533,266	-	260,000	-	-	-	33,000	826,266
Transfers Out	(176,840)	-	(487,279)	-	(569,488)	-	(685,430)	(1,919,037)
<b>Total Other Financing Sources and Uses</b>	<b>\$ 531,864</b>	<b>\$ -</b>	<b>\$ 456,054</b>	<b>\$ 413,975</b>	<b>\$ (569,488)</b>	<b>\$ -</b>	<b>\$ (6,139)</b>	<b>\$ 826,266</b>
<b>Net Change in Fund Balances</b>	<b>\$ 268,205</b>	<b>\$ 188,040</b>	<b>\$ (76,621)</b>	<b>\$ 144,376</b>	<b>\$ (43,744)</b>	<b>\$ -</b>	<b>\$ 156,368</b>	<b>\$ 636,624</b>
Fund Balances - January 1	\$ 2,930,412	\$ 177,220	\$ (2,356)	\$ 1,129,447	\$ 793,815	\$ -	\$ 1,118,570	\$ 6,147,108
Fund Balances - December 31	\$ 3,198,617	\$ 365,260	\$ (78,977)	\$ 1,273,823	\$ 750,071	\$ -	\$ 1,274,938	\$ 6,783,732

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

# CAVALIER COUNTY

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2017

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**Net Change in Fund Balances - Total Governmental Funds** \$ 636,624

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	\$ 803,093	
Capital Grants and Contributions	181,584	
Current Year Depreciation Expense	<u>(812,884)</u>	171,793

In the statement of activities, only the gain(loss) on the sale of 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 book value of the assets sold. (2,284)

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 issuance exceeded debt repayment during the current year.

Issuance of Loans	\$ (826,266)	
Repayment of Debt - Loans	<u>168,845</u>	(657,421)

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.

Increase in Interest Payable	\$ (6,843)	
Decrease in Retainage Payable	457	
Increase in Compensated Absences Payable	<u>(38,901)</u>	(45,287)

The Net Pension and OPEB Liability and related Deferred Outflows of Resources and Deferred Inflows of Resources are reported in the government wide statements; however, activity related to these pension and OPEB items do not involve current financial resources, and are not reported in the funds.

Increase in Net Pension & OPEB Liability	\$ (1,301,757)	
Increase in Deferred Outflows of Resources Related to Pensions and OPEB	954,276	
Decrease in Deferred Inflows of Resources Related to Pensions and OPEB	<u>28,686</u>	(318,795)

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:

Decrease in Taxes Receivable	\$ (8,021)	
Decrease in Road Receivables	<u>(55,556)</u>	<u>(63,577)</u>

**Change in Net Position of Governmental Activities** \$ (278,947)

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

# CAVALIER COUNTY

Combining Statement of Net Position - Aggregate Discretely Presented Component Units  
December 31, 2017

	Water Resource District	Health District	Job Development Authority	County Library	Total
<b>ASSETS</b>					
Cash, Cash Equivalents and Investments	\$ 317,805	\$ 255,577	\$ 186,794	\$ 93,397	\$ 853,573
Accounts Receivable	5,990	4,011	238	-	10,239
Intergovernmental Receivable	-	8,388	-	-	8,388
Taxes Receivable	1,204	783	1,954	-	3,941
Loans Receivable	-	-	377,906	-	377,906
Capital Assets, Net	1,853,426	-	-	8,319	1,861,745
<b>Total Assets</b>	<b>\$ 2,178,425</b>	<b>\$ 268,759</b>	<b>\$ 566,892</b>	<b>\$ 101,716</b>	<b>\$ 3,115,792</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Derived from Pensions and OPEB	\$ -	\$ 87,130	\$ 34,885	\$ -	\$ 122,015
<b>LIABILITIES</b>					
Salaries Payable	\$ -	\$ -	\$ 1,663	\$ -	\$ 1,663
City Loans Payable	-	-	339,870	-	339,870
Payroll Liabilities	-	-	1,646	-	1,646
Interest Payable	-	-	531	-	531
Long-Term Liabilities					
Due Within One Year					
Long-Term Debt	-	-	10,064	-	10,064
Compensated Absences	-	2,623	318	298	3,239
Due Outside One Year					
Long-Term Debt	-	-	17,672	-	17,672
Compensated Absences	-	23,607	2,860	2,678	29,145
Net Pension & OPEB Liability	-	193,554	77,000	-	270,554
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 219,784</b>	<b>\$ 451,624</b>	<b>\$ 2,976</b>	<b>\$ 674,384</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Derived from Pensions and OPEB	\$ -	\$ 13,105	\$ 3,962	\$ -	\$ 17,067
<b>NET POSITION</b>					
Net Investment in Capital Assets	\$ 1,853,426	\$ -	\$ -	\$ -	\$ 1,853,426
Restricted					
Health & Welfare	-	123,000	-	-	123,000
Conservation of Natural Resources	324,999	-	-	-	324,999
Economic Development	-	-	146,191	-	146,191
Culture & Recreation	-	-	-	98,740	98,740
<b>Total Net Position</b>	<b>\$ 2,178,425</b>	<b>\$ 123,000</b>	<b>\$ 146,191</b>	<b>\$ 98,740</b>	<b>\$ 2,546,356</b>

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

**CAVALIER COUNTY**

Combining Statement of Activities - Aggregate Discretely Presented Component Units  
 For the year Ended December 31, 2017

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Water Resource	Health District	Job Development Authority	County Library	Total
<b>Component Units</b>								
Water Resource District	\$ 624,087	\$ 338,346	\$ 1,500	\$ (284,241)	\$ -	\$ -	\$ -	\$ (284,241)
Health District	419,315	83,803	251,688	-	(83,824)	-	-	(83,824)
Job Development Authority	689,175	5,917	604,620	-	-	(78,638)	-	(78,638)
County Library	110,981	1,564	11,543	-	-	-	(97,874)	(97,874)
<b>Total Component Units</b>	<b>\$ 1,843,558</b>	<b>\$ 428,066</b>	<b>\$ 857,808</b>	<b>\$ (284,241)</b>	<b>\$ (83,824)</b>	<b>\$ (78,638)</b>	<b>\$ (97,874)</b>	<b>\$ (544,577)</b>
General Revenues								
Taxes								
Taxes (general purposes)				\$ 93,079	\$ 59,470	\$ 145,221	\$ 98,091	\$ 395,861
Sales taxes				-	-	47,511	-	47,511
Unrestricted investment & interest earnings				2,236	590	16	437	3,279
Miscellaneous revenue				5,928	-	5,308	2,344	13,580
<b>Total General Revenues</b>				<b>\$ 101,243</b>	<b>\$ 60,060</b>	<b>\$ 198,056</b>	<b>\$ 100,872</b>	<b>\$ 460,231</b>
<b>Change in Net Position</b>				<b>\$ (182,998)</b>	<b>\$ (23,764)</b>	<b>\$ 119,418</b>	<b>\$ 2,998</b>	<b>\$ (84,346)</b>
Net Position - January 1				\$ 2,358,838	\$ 155,385	\$ 30,302	\$ -	\$ 2,544,525
Prior Period Adjustments				2,585	(8,621)	(3,529)	95,742	86,177
<b>Net Assets - January 1, as restated</b>				<b>\$ 2,361,423</b>	<b>\$ 146,764</b>	<b>\$ 26,773</b>	<b>\$ 95,742</b>	<b>\$ 2,630,702</b>
<b>Net Position - December 31</b>				<b>\$ 2,178,425</b>	<b>\$ 123,000</b>	<b>\$ 146,191</b>	<b>\$ 98,740</b>	<b>\$ 2,546,356</b>

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

**CAVALIER COUNTY**

Statement of Fiduciary Assets and Liabilities - Agency Funds  
December 31, 2017

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**ASSETS**

Cash and Cash Equivalents \$ 2,755,431

**LIABILITIES**

Due to Other Governments \$ 2,755,431

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

## CAVALIER COUNTY

Notes to the Financial Statements  
For the Year Ended December 31, 2017

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Cavalier County (hereafter referred to as "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 the 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 the County to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the County.

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

#### **Component Units**

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

#### **Aggregate Discretely Presented Component Units**

The component unit column in the government wide basic financial statements includes the financial data of the County's four 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 District* - The Health District's governing board is appointed by the County's governing board. The County's governing body has the authority to disapprove, amend or modify the Health District's budget.

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

**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>Fund/Organization</b>	<b>2017</b>
Senior Citizens	138,000
Historical Society	12,170
County Ambulance	146,049

**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 demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead 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.

*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.

*Road & Bridge Excess Levy Fund.* This fund accounts for repair and improvement of highways and bridges that are legally restricted from taxes levied, and state reimbursements/grants received.

*County Poor Fund.* This fund accounts for the restricted 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.

*FEMA Fund.* This fund accounts for state and federal grants related for flood disaster repairs and the related disbursements. The major source of revenue is restricted grants (reimbursements) for disaster related repair expenditures/projects.

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.



**CAVALIER COUNTY**

Notes to the Financial Statements – Continued

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**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 and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar item are recognized as revenue as soon as all eligibility requirements imposed by the provider 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 general revenues.

**D. Cash, Cash Equivalents and Investments**

Cash includes amounts in demand deposits, money market accounts, and certificates of deposit with a maturity of 3 months or less. Investments consist of certificates of deposit with a maturity of more than 3 months.

**E. Capital Assets**

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

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

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

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

**F. Compensated Absences**

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

**CAVALIER COUNTY**

Notes to the Financial Statements – Continued

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**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. When applicable, bond premiums, discounts and issuance costs are recognized in the current period if the amounts are not material.

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. Pension**

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

**I. Other Post-Employment Benefits (OPEB)**

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

**J. 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.

**K. Fund Balances**

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.

Nonspendable Fund Balances

Nonspendable fund balances are reported in the general fund and are for long term loan receivables.

Restricted Fund Balances

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

**CAVALIER COUNTY**

Notes to the Financial Statements – Continued

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Unassigned Fund Balances

Unassigned fund balances consist of amounts in the general fund and negative fund balances.

**L. Net Position**

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

Net investment in capital assets is reported for capital assets less accumulated depreciation, as well as net of any related debt used to purchase or finance capital assets. The resources needed to repay this related debt must be provided from other sources, since the capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

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

Unrestricted net position is primarily unrestricted amounts related to general fund governmental activities, and is the portion of net position that is not restricted or reported as net investment in capital assets.

**NOTE 2: DEPOSITS**

In accordance with North Dakota Statutes, Cavalier County and its component units 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.

**Primary Government**

At year ended December 31, 2017, the County's carrying amount of deposits totaled \$10,925,256, and bank balances totaled \$10,514,971. Of the bank balances, \$500,000 was covered by Federal Depository Insurance, and \$25,959 was held at the Bank of North Dakota (not requiring collateralization). The remaining balances were entirely collateralized with securities held by the pledging financial institution's agent in the government's name.

**Discretely Presented Component Units**

The Water Resource District's carrying amount of deposits totaled \$317,750 and the bank balances totaled \$338,336, all of which was covered by Federal Depository Insurance.

The Health District's The carrying value of deposits totaled \$255,577 and the bank balances totaled \$278,909, all of was covered by Federal Depository Insurance.

**CAVALIER COUNTY**

Notes to the Financial Statements – Continued

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The Job Development Authority’s carrying amount of deposits totaled \$186,794 and the bank balances totaled \$200,283, all of which was covered by Federal Depository Insurance.

The Library’s carrying amount of deposits totaled \$93,397 and bank balances totaled \$104,972, all of which was covered by Federal Depository Insurance.

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.

At December 31, 2017, the Health District held certificates of deposit in the amount of \$63,505, which is considered a deposit.

At December 31, 2017, the Library held certificates of deposit in the amount of \$16,738, which is considered a deposit.

Concentration of Credit Risk

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

**NOTE 3: PROPERTY TAXES**

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

**NOTE 4: LOANS RECEIVABLE**

**Primary Government**

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

**Discretely Presented Component Units**

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

**CAVALIER COUNTY**

Notes to the Financial Statements – Continued

**NOTE 5: CAPITAL ASSETS**

**Primary Government**

The following is a summary of changes in capital assets for the year ended December 31, 2017 for the primary government:

<b>Primary Government</b>	<b>Bal. Jan 1 Restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 31</b>
<i>Capital assets not being depreciated:</i>					
Land	\$ 10,000	\$ 20,000	\$ -	\$ -	\$ 30,000
Construction in Progress	2,794,437	558,003	-	(3,305,365)	47,075
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 2,804,437</b>	<b>\$ 578,003</b>	<b>\$ -</b>	<b>\$ (3,305,365)</b>	<b>\$ 77,075</b>
<i>Capital assets being depreciated:</i>					
Buildings	\$ 500,000	\$ -	\$ -	\$ -	\$ 500,000
Building Improvements	232,246	-	-	513,310	745,556
Vehicles & Equipment	2,968,661	406,675	30,000	-	3,345,336
Infrastructure	10,716,668	-	-	2,792,055	13,508,723
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 14,417,575</b>	<b>\$ 406,675</b>	<b>\$ 30,000</b>	<b>\$ 3,305,365</b>	<b>\$ 18,099,615</b>
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 300,000	\$ 5,000	\$ -	\$ -	\$ 305,000
Building Improvements	111,478	29,822	-	-	141,300
Vehicles & Equipment	1,289,049	237,713	27,714	-	1,499,048
Infrastructure	1,791,024	540,349	-	-	2,331,373
<b>Total Accumulated Depreciation</b>	<b>\$ 3,491,551</b>	<b>\$ 812,884</b>	<b>\$ 27,714</b>	<b>\$ -</b>	<b>\$ 4,276,721</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 10,926,024</b>	<b>\$ (406,209)</b>	<b>\$ 2,286</b>	<b>\$ 3,305,365</b>	<b>\$ 13,822,894</b>
<b>Primary Government Capital Assets, Net</b>	<b>\$ 13,730,461</b>	<b>\$ 171,794</b>	<b>\$ 2,286</b>	<b>\$ -</b>	<b>\$ 13,899,969</b>

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

<b>Primary Government</b>	<b>Amounts</b>
General Government	\$ 44,217
Public Safety	30,253
Highways	726,694
Health and Welfare	5,207
Conservation of Natural Resources	6,513
<b>Total Depreciation Expense - Govt. Activities</b>	<b>\$ 812,884</b>

**Discretely Presented Component Units**

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, 2017:

<b>Water Resource District</b>	<b>Bal. Jan 1 Restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 31</b>
<i>Capital assets being depreciated:</i>					
Vehicles & Equipment	\$ 74,692	\$ 13,044	\$ 12,924	\$ -	\$ 74,812
Infrastructure	3,131,447	10,700	-	-	3,142,147
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 3,206,139</b>	<b>\$ 23,744</b>	<b>\$ 12,924</b>	<b>\$ -</b>	<b>\$ 3,216,959</b>
<i>Less Accumulated Depreciation for:</i>					
Vehicles & Equipment	\$ 47,934	\$ 12,543	\$ 5,170	\$ -	\$ 55,307
Infrastructure	1,182,540	125,686	-	-	1,308,226
<b>Total Accumulated Depreciation</b>	<b>\$ 1,230,474</b>	<b>\$ 138,229</b>	<b>\$ 5,170</b>	<b>\$ -</b>	<b>\$ 1,363,533</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 1,975,665</b>	<b>\$ (114,485)</b>	<b>\$ 7,754</b>	<b>\$ -</b>	<b>\$ 1,853,426</b>
<b>Water Resource District Capital Assets, Net</b>	<b>\$ 1,975,665</b>	<b>\$ (114,485)</b>	<b>\$ 7,754</b>	<b>\$ -</b>	<b>\$ 1,853,426</b>

**CAVALIER COUNTY**

Notes to the Financial Statements – Continued

County Library

The following is a summary of changes in capital assets for the Cavalier County Library, a discretely presented component unit of Cavalier County, for the year ended December 31, 2017:

<b>County Library</b>	<b>Bal. Jan 1 Restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 31</b>
<i>Capital assets being depreciated:</i>					
Vehicles & Equipment	\$ 11,884	\$ -	\$ -	\$ -	\$ 11,884
<i>Less Accumulated Depreciation for:</i>					
Vehicles & Equipment	\$ 2,377	\$ 1,188	\$ -	\$ -	\$ 3,565
<b>County Library Capital Assets, Net</b>	<b>\$ 9,507</b>	<b>\$ (1,188)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,319</b>

**NOTE 6: LONG-TERM LIABILITIES**

**Primary Government**

During the year ended December 31, 2017, the following changes occurred in governmental activities long-term liabilities for Cavalier County:

<b>Primary Government</b>	<b>Bal. Jan 1 Restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Loans Payable	\$ 663,766	\$ 826,266	\$ 168,845	\$ 1,321,187	\$ 476,765
Compensated Absences *	242,867	38,901	-	281,768	28,177
Net Pension and OPEB Liability *	2,019,005	1,301,757	-	3,320,762	-
<b>Total Primary Government</b>	<b>\$ 2,925,638</b>	<b>\$ 2,166,924</b>	<b>\$ 168,845</b>	<b>\$ 4,923,717</b>	<b>\$ 504,942</b>

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

Schedule of Maturities

The annual debt service requirements for long-term debt as of December 31, 2017 are as follows:

<b>Primary Government</b>		
<b>Year Ending Dec 31</b>	<b>Loans Payable</b>	
	<b>Principal</b>	<b>Interest</b>
2018	\$ 476,765	\$ 24,159
2019	214,917	18,571
2020	219,649	13,829
2021	169,558	8,908
2022	114,692	5,245
2023 - 2027	125,606	4,259
<b>Total</b>	<b>\$ 1,321,187</b>	<b>\$ 74,971</b>

**Discretely Presented Component Units**

Water Resource District

During the year ended December 31, 2017, the following changes occurred in governmental long-term liabilities of the water resource district:

<b>Water Resource District</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Loans Payable	\$ 114,803	\$ -	\$ 114,803	\$ -	\$ -

**CAVALIER COUNTY**

## Notes to the Financial Statements – Continued

Cavalier County Health District

During the year ended December 31, 2017, the following changes occurred in governmental long-term liabilities of the health district:

<b>Health District</b>	<b>Bal. Jan 1 Restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Compensated Absences *	\$ 24,221	\$ 2,009	\$ -	\$ 26,230	\$ 2,623
Net Pension and OPEB Liability *	117,669	75,885	-	193,554	-
<b>Total Health District</b>	<b>\$ 141,890</b>	<b>\$ 77,894</b>	<b>\$ -</b>	<b>\$ 219,784</b>	<b>\$ 2,623</b>

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

Job Development Authority

During the year ended December 31, 2017, the following changes occurred in governmental long-term liabilities of the Authority:

<b>Job Development Authority</b>	<b>Bal. Jan 1 Restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Loans Payable	\$ 37,327	\$ -	\$ 9,591	\$ 27,736	\$ 10,064
Compensated Absences *	3,101	77	-	3,178	318
Net Pension and OPEB Liability *	46,946	30,054	-	77,000	-
<b>Total Job Development Authority</b>	<b>\$ 87,374</b>	<b>\$ 30,131</b>	<b>\$ 9,591</b>	<b>\$ 107,914</b>	<b>\$ 10,382</b>

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

Schedule of Maturities

The annual debt service requirements for long-term debt (excluding compensated absences and net pension liability) outstanding as of December 31, 2017, are as follows:

<b>Job Development Authority</b>		
<b>Year Ending Dec 31</b>	<b>Loans Payable</b>	
	<b>Principal</b>	<b>Interest</b>
2018	\$ 10,064	\$ 1,276
2019	10,534	806
2020	7,138	327
<b>Total</b>	<b>\$ 27,736</b>	<b>\$ 2,409</b>

County Library

<b>County Library</b>	<b>Bal. Jan 1 Restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Compensated Absences *	\$ -	\$ 2,976	\$ -	\$ 2,976	\$ 298

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

**CAVALIER COUNTY**

Notes to the Financial Statements – Continued

Operating Leases

The County, Water Resource District, and the Job Development Authority leased copiers under non-cancelable operating leases. Operating lease payments totaled \$9,452 for the County, \$238 for the water resource district, and \$1,368 for the job development authority during 2017. The future minimum lease payments for operating leases are as follows:

Year Ending Dec 31	Operating Leases	
	County Copiers	JDA Copier
2018	\$ 10,064	\$ 1,276
2019	10,534	806
Total	\$ 20,598	\$ 2,082

**NOTE 7: TRANSFERS**

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2017:

Funds	Transfers In	Transfers Out
<b>Major Funds</b>		
General Fund	\$ 175,438	\$ 176,840
County Road and Bridge	683,333	487,279
Road and Bridge Excess Levy	413,975	-
County Poor	-	569,489
<b>Non-Major Funds</b>		
County Road	-	143,261
Road/Bridge Equipment Replacement	73,304	-
Highway Tax Distribution	-	535,172
Social Service	569,489	-
E911 Land Line Excise Tax	1,749	3,498
E911 Cell Phone Excise Tax	1,749	3,498
<b>Total Transfers</b>	<b>\$ 1,919,037</b>	<b>\$ 1,919,037</b>

**NOTE 8: PENSION PLAN**

**General Information about the NDPERS Pension Plan**

***North Dakota Public Employees Retirement System (Main System)***

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees. Effective July 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.



**CAVALIER COUNTY**

Notes to the Financial Statements – Continued

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**Pension Benefits**

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

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

**Death and Disability Benefits**

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

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

**Refunds of Member Account Balance**

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

**Member and Employer Contributions**

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

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

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

**CAVALIER COUNTY**

Notes to the Financial Statements – Continued

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

At December 31, 2017, Cavalier County reported a liability of \$3,173,396, the Health District \$184,955, and the Job Development Authority \$73,583 respectively, for the proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer’s proportion of the net pension liability was based on the Employer’s share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2017, the County’s proportion was .197433 percent, which was an increase of .005448 percent from its proportion measured as of June 30, 2016. At June 30, 2017, the Health District’s proportion was .011507 percent, which was a increase of .000318 percent from its proportion measured as of June 30, 2016. At June 30, 2017, the Job Development Authority’s proportion was .004578 percent, which was an increase of .000113 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the County recognized pension expense of \$482,405, the Health District recognized pension expense of \$26,371, and the Job Development Authority recognized pension expense of \$10,960. At December 31, 2017, the Employers reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Primary Government</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 18,862	\$ 15,461
Changes in Assumptions	1,301,307	71,575
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	42,680	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	60,350	57,359
Contributions - Employer	74,272	-
<b>Total Primary Government</b>	<b>\$ 1,497,471</b>	<b>\$ 144,395</b>

<b>Health District</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 1,099	\$ 901
Changes in Assumptions	75,844	4,172
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2,487	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	1,937	7,476
Contributions - Employer	4,251	-
<b>Total Health District</b>	<b>\$ 85,618</b>	<b>\$ 12,549</b>

<b>Job Development Authority</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 437	\$ 359
Changes in Assumptions	30,174	1,660
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	990	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	992	1,722
Contributions - Employer	1,690	-
<b>Total Job Development Authority</b>	<b>\$ 34,283</b>	<b>\$ 3,741</b>

**CAVALIER COUNTY**

Notes to the Financial Statements – Continued

\$74,272 for the County, \$4,251 for the Health District, and \$1,690 for the Job Development Authority reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018.

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

Year	County	Health District	Job Development Authority
2018	\$ 278,702	\$ 14,499	\$ 6,236
2019	337,264	17,912	7,594
2020	292,707	15,339	6,562
2021	234,988	13,196	5,341
2022	135,143	7,872	3,119

**Actuarial Assumptions**

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%	
Salary increases	Service at Beginning of year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 36	8.00%
	36 – 40	7.50%
	41 – 49	6.00%
	50+	5.00%
	* Age-based salary increase rates apply for employees with three or more years of service	
Investment rate of return	7.75%, net of investment expenses	
Cost-of-living adjustments	None	

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Fixed Income	5%	-0.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

**CAVALIER COUNTY**

Notes to the Financial Statements – Continued

**Discount rate**

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

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

The pension plan’s fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.56%; and the resulting Single Discount Rate is 6.44%.

**Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount rate**

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 6.44 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.44 percent) or 1-percentage-point higher (7.44 percent) than the current rate:

<b>Proportionate Share of the Net Pension Liability</b>	<b>1% Decrease (5.44%)</b>	<b>Current Discount Rate (6.44%)</b>	<b>1% Increase (7.44%)</b>
County	\$ 4,307,983	\$ 3,173,396	\$ 2,229,468
Health District	251,082	184,955	129,940
Job Development Authority	99,892	73,583	51,696

**Pension Plan Fiduciary Net Position**

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

**NOTE 9: OPEB PLAN**

**General Information about the OPEB Plan**

**North Dakota Public Employees Retirement System**

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

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

**CAVALIER COUNTY**

Notes to the Financial Statements – Continued

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

**OPEB Benefits**

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds.

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

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

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

At December 31, 2017, the County reported a liability of \$147,366, the Health District \$8,589, and the Job Development Authority \$3,417, for their proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2017 the Employer's proportion for the County was .186301 percent. At June 30, 2017, the Health District's proportion was .010858 percent and the Job Development Authority's proportion was .004320 percent.

For the year ended December 31, 2017, the County recognized OPEB expense of \$17,721, the Health District \$1,031, and the Job Development Authority \$411, respectively. At December 31, 2017, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<b>Primary Government</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ -	\$ 3,594
Changes of Assumptions	14,273	-
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	-	5,572
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	-	265
Contributions - Employer	11,892	-
<b>Total Primary Government</b>	<b>\$ 26,165</b>	<b>\$ 9,431</b>

**CAVALIER COUNTY**

Notes to the Financial Statements – Continued

<b>Health District</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ -	\$ 209
Changes of Assumptions	832	-
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	-	325
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	-	22
Contributions - Employer	681	-
<b>Total Health District</b>	<b>\$ 1,513</b>	<b>\$ 556</b>

<b>Job Development Authority</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ -	\$ 83
Changes of Assumptions	331	-
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	-	129
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	-	9
Contributions - Employer	271	-
<b>Total Job Development Authority</b>	<b>\$ 602</b>	<b>\$ 221</b>

\$11,892 was reported for the County, \$681 for the Health District, and \$271 for the JDA, respectively, as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2018.

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

<b>Year</b>	<b>County</b>	<b>Health District</b>	<b>Job Development Authority</b>
2018	\$ 237	\$ 12	\$ 5
2019	237	12	5
2020	237	12	5
2021	237	12	5
2022	1,630	93	38
2023	1,630	95	38
Thereafter	634	40	14

**Actuarial Assumptions**

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Not applicable
Investment rate or return	7.50%, net of investment expenses
Cost of living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

**CAVALIER COUNTY**

Notes to the Financial Statements – Continued

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC’s target asset allocation as of July 1, 2017 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Large Cap Domestic Equities	37%	5.80%
Small Cap Domestic Equities	9%	7.05%
International Equities	14%	6.20%
Core-Plus Fixed Income	40%	1.56%

**Discount Rate**

The discount rate used to measure the total OPEB liability was 7.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2017, and July 1, 2016, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the Employer’s proportionate share of the net OPEB liability to changes in the discount rate**

The following presents the net OPEB liability of the Plans as of June 30, 2017, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

<b>Proportionate Share of the Net OPEB Liability</b>	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
County	\$ 184,484	\$ 147,366	\$ 115,549
Health District	10,752	8,589	6,734
Job Development Authority	4,278	3,417	2,679

**NOTE 10: RISK MANAGEMENT**

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The County pays an annual premium to NDRIF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability and automobile and \$2,282,736 for public assets (mobile equipment and portable property) for the County, and \$82,900 for the water resource district.

The County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The County pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the County with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage. The Water Resource District and Health District have \$287,000 and \$154,000, respectively, of blanket fidelity bond coverage.

**CAVALIER COUNTY**

Notes to the Financial Statements – Continued

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

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

**NOTE 11: JOINT VENTURES**

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

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	\$ 848,286
Total Revenues	\$ 848,156
Total Expenses	918,404
Change 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.

**NOTE 12: 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, 2017, there was one series of Community Development Block Grant Loans outstanding, with an aggregate principal amount payable of \$175,000.

**NOTE 13: CONSTRUCTION COMMITMENTS**

The County had an open construction contract at December 31, 2017, 80.93% of which is covered by the state of North Dakota. The total open contract is as follows:

<b>County Project</b>	<b>Amended Contract</b>	<b>Total Completed</b>	<b>Retainage</b>	<b>Remaining Balance</b>	<b>% Complete</b>
SC-1000(060)	\$ 486,519	\$ 453,746	\$ 9,075	\$ 41,848	93.26%



**CAVALIER COUNTY**

Notes to the Financial Statements – Continued

**NOTE 14: DEFICIT FUND BALANCES**

The County had the following deficit fund balances at December 31, 2017:

<b>Fund</b>	<b>Balance</b>
<b>Major Funds</b>	
County Road & Bridge	\$ (78,977)

**NOTE 15: SUBSEQUENT EVENTS**

On February 28, 2018, the County entered into a loan agreement in the amount of \$217,056 with Farmers and Merchants State Bank. The loan was used to pay off the \$217,056 line of credit that the County had outstanding at the bank. The terms of the new loan will be \$46,323 paid annually over five years with an interest rate of 2.20 percent.

**NOTE 16: PRIOR PERIOD ADJUSTMENTS**

**Primary Government**

Net position as of January 1, 2017, has been restated to restate beginning capital assets construction in progress and infrastructure cost and accumulated depreciation.

Change in Accounting Principle – GASB 75 - OPEB

Net position as of January 1, 2017 has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financing Reporting for Postemployment Benefit Plans Other than Pensions*.

The result of implementing GASB 75 reduced beginning net position for the governmental and business-type activities of the County, which consists of the net OPEB liability related to the North Dakota Public Employees Retirement System (NDPERS).

The effect of the prior period adjustments to beginning Net Position is as follows:

<b>Primary Government</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 17,636,012
<b>Adjustments to restate the January 1, 2017 Net Position:</b>	
Beginning OPEB Liability	(147,924)
Net Position January 1, as restated	\$ 17,488,088

**Discretely Presented Component Units**

Cavalier County Water Resource District

Prior period adjustments were necessary for the Cavalier County Water Resource District for the beginning balance of accumulated depreciation.

<b>Water Resource District</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 2,358,838
<b>Adjustments to restate the January 1, 2017 Net Position:</b>	
Accumulated Depreciation Adjustment	2,585
Net Position January 1, as restated	\$ 2,361,423

**CAVALIER COUNTY**

Notes to the Financial Statements – Continued

Cavalier County Health District

*Change in Accounting Principle – GASB 75 - OPEB*

Net position as of January 1, 2017 has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financing Reporting for Postemployment Benefit Plans Other than Pensions*.

The result of implementing GASB 75 reduced beginning net position for the component units of the County, which consists of the net OPEB liability related to the North Dakota Public Employees Retirement System (NDPERS).

<b>Health District</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 155,385
<b>Adjustments to restate the January 1, 2017 Net Position:</b>	
Beginning OPEB Liability	(8,621)
Net Position January 1, as restated	\$ 146,764

Cavalier County Job Development Authority

*Change in Accounting Principle – GASB 75 - OPEB*

Net position as of January 1, 2017 has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financing Reporting for Postemployment Benefit Plans Other than Pensions*.

The result of implementing GASB 75 reduced beginning net position for the component units of the County, which consists of the net OPEB liability related to the North Dakota Public Employees Retirement System (NDPERS).

*MAB Fund Balance Adjustment*

Prior period adjustments were necessary for the Cavalier County Job Development Authority for the beginning fund balance.

The effect of the prior period adjustments to beginning Net Position is as follows:

<b>Job Development Authority</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 30,302
<b>Adjustments to restate the January 1, 2017 Net Position:</b>	
MAB Fund Balance Adjustment	(99)
Beginning OPEB Liability	(3,430)
Net Position January 1, as restated	\$ 26,773

Cavalier County Library

*New Component Unit Adjustment*

Prior period adjustments were necessary for the Cavalier County Library for the beginning fund balance, capital asset balance, and accumulated depreciation balance due to the entity not being audited as a component unit in prior years.

<b>Library</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ -
<b>Adjustments to restate the January 1, 2017 Net Position:</b>	
Beginning MAB Fund Balance	86,235
Beginning Capital Assets	11,884
Beginning Accumulated Depreciations	(2,377)
Net Position January 1, as restated	\$ 95,742

**CAVALIER COUNTY**

Budgetary Comparison Schedule - General Fund  
 For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 1,802,200	\$ 1,802,200	\$ 1,849,543	\$ 47,343
Intergovernmental	574,770	574,770	616,599	41,829
Charges for Services	290,630	290,630	272,405	(18,225)
Licenses, Permits and Fees	1,420	1,420	1,310	(110)
Interest Income	35,000	35,000	34,768	(232)
Miscellaneous	43,400	43,400	55,895	12,495
<b>Total Revenues</b>	<b>\$ 2,747,420</b>	<b>\$ 2,747,420</b>	<b>\$ 2,830,520</b>	<b>\$ 83,100</b>
<b>EXPENDITURES</b>				
Current:				
General Government	\$ 1,724,514	\$ 2,116,064	\$ 1,555,078	\$ 560,986
Public Safety	1,004,326	1,004,326	1,141,307	(136,981)
Health and Welfare	56,864	56,864	56,425	439
Economic development	23,500	23,500	24,000	(500)
Debt Service:				
Interest & Service Charges	-	-	1,159	(1,159)
<b>Total Expenditures</b>	<b>\$ 2,809,204</b>	<b>\$ 3,200,754</b>	<b>\$ 2,777,969</b>	<b>\$ 422,785</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (61,784)	\$ (453,334)	\$ 52,551	\$ 505,885
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ -	\$ 175,438	\$ 175,438
Loan Proceeds	-	-	217,056	\$ 217,056
Transfers out	-	-	(176,840)	(176,840)
<b>Total Other Financing Sources and Uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 215,654</b>	<b>\$ 215,654</b>
<b>Net Change in Fund Balances</b>	<b>\$ (61,784)</b>	<b>\$ (453,334)</b>	<b>\$ 268,205</b>	<b>\$ 721,539</b>
Fund Balance - January 1	\$ 2,930,412	\$ 2,930,412	\$ 2,930,412	\$ -
<b>Fund Balance - December 31</b>	<b>\$ 2,868,628</b>	<b>\$ 2,477,078</b>	<b>\$ 3,198,617</b>	<b>\$ 721,539</b>

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

**CAVALIER COUNTY**Budgetary Comparison Schedule - Farm to Market Road Fund  
For the Year Ended December 31, 2017

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	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 616,520	\$ 616,520	\$ 622,036	\$ 5,516
Miscellaneous	-	-	334	334
Total Revenues	\$ 616,520	\$ 616,520	\$ 622,370	\$ 5,850
<b>EXPENDITURES</b>				
Highways & Bridges	\$ 638,605	\$ 638,605	\$ 434,330	\$ 204,275
Excess (Deficiency) of Revenues Over Expenditures	\$ (22,085)	\$ (22,085)	\$ 188,040	\$ 210,125
Fund Balances - January 1	\$ 177,220	\$ 177,220	\$ 177,220	\$ -
Fund Balances - December 31	\$ 155,135	\$ 155,135	\$ 365,260	\$ 210,125

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

**CAVALIER COUNTY**

Budgetary Comparison Schedule - County Road & Bridge Fund  
 For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 852,679	\$ 852,679	\$ 863,789	\$ 11,110
Charges for Services	250,000	250,000	330,909	80,909
Miscellaneous	-	-	60,162	60,162
Total Revenues	\$ 1,102,679	\$ 1,102,679	\$ 1,254,860	\$ 152,181
<b>EXPENDITURES</b>				
Current:				
Highways & Bridges	\$ 1,591,682	\$ 1,591,682	\$ 1,345,861	\$ 245,821
Debt Service:				
Principal	-	-	168,845	(168,845)
Interest	-	-	12,829	(12,829)
Total Expenditures	\$ 1,591,682	\$ 1,591,682	\$ 1,527,535	\$ 64,147
Excess (Deficiency) of Revenues Over Expenditures	\$ (489,003)	\$ (489,003)	\$ (272,675)	\$ 216,328
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ -	\$ -	\$ 683,333	\$ 683,333
Transfers Out	-	-	(487,279)	(487,279)
Total Other Financing Sources and Uses	\$ -	\$ -	\$ 196,054	\$ 196,054
Net Change in Fund Balances	\$ (489,003)	\$ (489,003)	\$ (76,621)	\$ 412,382
Fund Balances - January 1	\$ (2,356)	\$ (2,356)	\$ (2,356)	\$ -
Fund Balances - December 31	\$ (491,359)	\$ (491,359)	\$ (78,977)	\$ 412,382

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

**CAVALIER COUNTY**

## Budgetary Comparison Schedule - County Road &amp; Bridge Excess Levy Fund

For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 2,500	\$ 2,500	\$ 2,070	\$ (430)
Intergovernmental	700,000	700,000	778,281	78,281
Total Revenues	\$ 702,500	\$ 702,500	\$ 780,351	\$ 77,851
<b>EXPENDITURES</b>				
Highways and Bridges	\$ 760,000	\$ 1,077,624	\$ 1,049,950	\$ 27,674
Excess (Deficiency) of Revenues Over Expenditures	\$ (57,500)	\$ (375,124)	\$ (269,599)	\$ 105,525
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ -	\$ -	\$ 413,975	\$ 413,975
Net Change in Fund Balances	\$ (57,500)	\$ (375,124)	\$ 144,376	\$ 519,500
Fund Balances - January 1	\$ 1,129,447	\$ 1,129,447	\$ 1,129,447	\$ -
Fund Balances - December 31	\$ 1,071,947	\$ 754,323	\$ 1,273,823	\$ 519,500

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

**CAVALIER COUNTY**

Budgetary Comparison Schedule - County Poor Fund  
 For the Year Ended December 31, 2017

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	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 518,000	\$ 518,000	\$ 525,842	\$ 7,842
<b>EXPENDITURES</b>				
Health & Welfare	\$ -	\$ 98	\$ 98	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ 518,000	\$ 517,902	\$ 525,744	\$ 7,842
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	\$ -	\$ -	\$ (569,488)	\$ (569,488)
Net Change in Fund Balances	\$ 518,000	\$ 517,902	\$ (43,744)	\$ (561,646)
Fund Balances - January 1	\$ 793,815	\$ 793,815	\$ 793,815	\$ -
Fund Balances - December 31	\$ 1,311,815	\$ 1,311,717	\$ 750,071	\$ (561,646)

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

**CAVALIER COUNTY**

Budgetary Comparison Schedule - FEMA Fund  
For the Year Ended December 31, 2017

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	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>				
Flood Repair	\$ -	\$ -	\$ -	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ -	\$ -
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balances	\$ -	\$ -	\$ -	\$ -
Fund Balances - January 1	\$ -	\$ -	\$ -	\$ -
Fund Balances - December 31	\$ -	\$ -	\$ -	\$ -

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



**CAVALIER COUNTY**

Schedule of Employer's Share of Net Pension Liability and Employer Contributions  
 For the Year Ended December 31, 2017

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

<b>Primary Government</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
District's proportion of the net pension liability (asset)	0.197433%	0.191985%	0.203720%	0.195652%
District's proportionate share of the net pension liability (asset)	\$ 3,173,396	\$ 1,871,081	\$ 1,385,261	\$ 1,241,845
District's covered-employee payroll	\$ 2,015,477	\$ 1,934,759	\$ 1,814,902	\$ 1,648,126
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	157.45%	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	61.98%	70.46%	77.15%	77.70%

<b>Health District</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Health District's proportion of the net pension liability (asset)	0.011507%	0.011189%	0.012405%	0.012858%
Health District's proportionate share of the net pension liability (asset)	\$ 184,955	\$ 109,048	\$ 84,352	\$ 81,612
Health District's covered-employee payroll	\$ 117,468	\$ 112,758	\$ 110,511	\$ 108,312
Health District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	157.45%	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	61.98%	70.46%	77.15%	77.70%

<b>Job Development Authority</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
JDA's proportion of the net pension liability (asset)	0.004578%	0.004465%	0.004849%	0.004737%
JDA's proportionate share of the net pension liability (asset)	\$ 73,583	\$ 43,516	\$ 32,972	\$ 30,067
JDA's covered-employee payroll	\$ 46,734	\$ 45,000	\$ 43,200	\$ 39,900
JDA's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	157.45%	96.70%	76.32%	75.36%
Plan fiduciary net position as a percentage of the total pension liability	61.98%	70.46%	77.15%	77.70%

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

**CAVALIER COUNTY**

Schedule of Employer's Share of Net Pension Liability and Employer Contributions  
 For the Year Ended December 31, 2017

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

<b>Primary Government</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Statutorily required contribution	\$ 146,147	\$ 140,073	\$ 137,856	\$ 117,347
Contributions in relation to the statutorily required contribution	\$ 144,410	\$ 139,245	\$ 131,433	\$ 117,347
Contribution deficiency (excess)	\$ 1,737	\$ 828	\$ 6,423	\$ -
District's covered-employee payroll	\$ 2,015,477	\$ 1,934,759	\$ 1,814,902	\$ 1,648,126
Contributions as a percentage of covered-employee payroll	7.17%	7.20%	7.24%	7.12%

<b>Health District</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Statutorily required contribution	\$ 8,518	\$ 8,164	\$ 8,394	\$ 7,712
Contributions in relation to the statutorily required contribution	\$ 8,364	\$ 8,680	\$ 7,868	\$ 7,712
Contribution deficiency (excess)	\$ 154	\$ (516)	\$ 526	\$ -
District's covered-employee payroll	\$ 117,468	\$ 112,758	\$ 110,511	\$ 108,312
Contributions as a percentage of covered-employee payroll	7.12%	7.70%	7.12%	7.12%

<b>Job Development Authority</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Statutorily required contribution	\$ 3,389	\$ 3,258	\$ 3,281	\$ 2,841
Contributions in relation to the statutorily required contribution	\$ 3,328	\$ 3,465	\$ 3,076	\$ 2,841
Contribution deficiency (excess)	\$ 61	\$ (207)	\$ 205	\$ -
District's covered-employee payroll	\$ 46,734	\$ 45,000	\$ 43,200	\$ 39,900
Contributions as a percentage of covered-employee payroll	7.12%	7.70%	7.12%	7.12%

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

**CAVALIER COUNTY**

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions  
 For the Year Ended December 31, 2017

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

<b>Primary Government</b>	<b>2017</b>
County's proportion of the net OPEB liability (asset)	0.186301%
County's proportionate share of the net OPEB liability (asset)	\$ 147,366
County's covered-employee payroll	\$ 2,015,477
County's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	7.31%
Plan fiduciary net position as a percentage of the total OPEB liability	59.78%

<b>Job Development Authority</b>	<b>2017</b>
JDA's proportion of the net OPEB liability (asset)	0.004320%
JDA's proportionate share of the net OPEB liability (asset)	\$ 3,417
JDA's covered-employee payroll	\$ 46,734
JDA's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	7.31%
Plan fiduciary net position as a percentage of the total OPEB liability	59.78%

<b>Health District</b>	<b>2017</b>
Health District's proportion of the net OPEB liability (asset)	0.010858%
Health District's proportionate share of the net OPEB liability (asset)	\$ 8,589
Health District's covered-employee payroll	\$ 117,468
Health District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	7.31%
Plan fiduciary net position as a percentage of the total OPEB liability	59.78%

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

**CAVALIER COUNTY**

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions – Continued  
 For the Year Ended December 31, 2017

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

<b>Primary Government</b>	<b>2017</b>
Statutory required contribution	\$ 23,429
Contributions in relation to the statutory required contribution	\$ (23,122)
Contribution deficiency (excess)	\$ 307
District's covered-employee payroll	\$ 2,015,477
Contributions as a percentage of covered-employee payroll	1.15%

<b>Job Development Authority</b>	<b>2017</b>
Statutory required contribution	\$ 543
Contributions in relation to the statutory required contribution	\$ (533)
Contribution deficiency (excess)	\$ 10
District's covered-employee payroll	\$ 46,734
Contributions as a percentage of covered-employee payroll	1.14%

<b>Health District</b>	<b>2017</b>
Statutory required contribution	\$ 1,365
Contributions in relation to the statutory required contribution	\$ (1,339)
Contribution deficiency (excess)	\$ 26
District's covered-employee payroll	\$ 117,468
Contributions as a percentage of covered-employee payroll	1.14%

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

# CAVALIER COUNTY

Notes to the Required Supplementary Information  
For the Year Ended December 31, 2017

## 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: SCHEDULE OF EMPLOYER PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

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

## NOTE 3: CHANGES OF ASSUMPTIONS – PENSION AND OPEB

Amounts reported in 2017 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2017. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

## NOTE 4: BUDGET TO ACTUAL AMOUNTS – ADJUSTMENTS

### General Fund

The County entered into a loan into to help finance the costs of a boiler pipe project for the courthouse in 2016 and 2017. 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 general 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>General Fund</b>	<b>Combined Statement</b>	<b>Adjustment</b>	<b>Budget to Actual</b>
Expenditures	\$ 3,094,179	\$ (316,210)	\$ 2,777,969
Loan Proceeds	316,210	(316,210)	-

**CAVALIER COUNTY**

Notes to the Required Supplementary Information - Continued

County Road & Bridge Fund

The County also entered into two loans for two plow trucks in 2017. 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	\$ 1,787,535	\$ (260,000)	\$ 1,527,535
Loan Proceeds	260,000	(260,000)	-

**NOTE 5: LEGAL COMPLIANCE - BUDGETS**

Budget Amendments

The board of County commissioners amended the county budgeted expenditures for 2017 as follows:

	<b>Original Budget</b>	<b>Budget Amendment</b>	<b>Amended Budget</b>
<b>Major Funds</b>			
General	2,809,204	391,550	3,200,754
Road and Bridge Excess Levy	760,000	317,624	1,077,624
County Poor	-	98	98
<b>Nonmajor Special Revenue Funds</b>			
County Road	-	35	35
Road and Bridge Equipment Replacement	49,500	35,241	84,741
Hazardous Chemicals	-	1,968	1,968
Emergency Fund	-	2	2
Veteran's Service Officer	13,793	5,199	18,992
E911 Land Line Tax	3,550	3,031	6,581
E911 Cell Phone Tax	44,791	31,678	76,469
Weed Control	139,313	27,079	166,392
Document Preservation	-	21,565	21,565

# CAVALIER COUNTY

Schedule of Fund Activity - Cash Basis  
For the Year Ended December 31, 2017

	Balance Jan 1	Receipts	Transfers In	Transfers Out	Disbursements	Balance Dec 31
<b>Major Funds</b>						
General Fund	\$ 2,806,299.55	\$ 2,821,022.90	\$ 175,438.20	\$ 8,398.60	\$ 3,200,754.09	\$ 2,593,607.96
Vanguard Receivables	-	181,962.50	-	168,441.00	-	13,521.50
<b>Total General Fund</b>	<b>\$ 2,806,299.55</b>	<b>\$ 3,002,985.40</b>	<b>\$ 175,438.20</b>	<b>\$ 176,839.60</b>	<b>\$ 3,200,754.09</b>	<b>\$ 2,607,129.46</b>
<b>Special Revenue Funds</b>						
Farm to Market Roads	\$ 177,220.81	\$ 622,369.90	\$ -	\$ -	\$ 434,330.21	\$ 365,260.50
County Road and Bridge	806.24	1,254,861.54	683,333.08	487,279.48	1,530,698.17	(78,976.79)
Road and Bridge Excess Levy	943,138.19	1,012,626.11	413,975.44	-	1,077,623.65	1,292,116.09
FEMA	-	317,205.86	-	-	-	317,205.86
County Poor	793,815.57	525,841.88	-	569,488.53	97.78	750,071.14
<b>Total Major Special Revenue Funds</b>	<b>\$ 1,914,980.81</b>	<b>\$ 3,732,905.29</b>	<b>\$ 1,097,308.52</b>	<b>\$ 1,056,768.01</b>	<b>\$ 3,042,749.81</b>	<b>\$ 2,645,676.80</b>
<b>Total Major Funds</b>	<b>\$ 4,721,280.36</b>	<b>\$ 6,735,890.69</b>	<b>\$ 1,272,746.72</b>	<b>\$ 1,233,607.61</b>	<b>\$ 6,243,503.90</b>	<b>\$ 5,252,806.26</b>
<b>Non-Major Funds</b>						
<b>Special Revenue Funds</b>						
County Road	\$ 215,982.35	\$ 215,324.27	\$ -	\$ 143,261.37	\$ 7,346.93	\$ 280,698.32
Road/Bridge Equipment Replacement	23,116.44	-	73,304.04	-	84,741.44	11,679.04
Highway Tax Distribution	10,238.33	586,513.93	-	535,171.71	-	61,580.55
Social Service	485.85	204,298.08	569,488.53	-	774,272.46	-
Emergency Fund	60,503.84	11,961.47	-	-	1.96	72,463.35
Veteran's Service Officer	84,921.71	21,284.15	-	-	18,992.11	87,213.75
Overload	-	1,310.00	-	-	-	1,310.00
County Agent	203,037.15	146,024.44	-	-	121,690.45	227,371.14
Weed Control	101,766.02	184,580.47	-	-	166,391.78	119,954.71
E911 Land Line Excise Tax	232,930.59	29,933.95	1,749.30	3,498.60	6,581.46	254,533.78
E911 Cell Phone Excise Tax	99,444.63	40,631.70	1,749.30	3,498.60	76,469.12	61,857.91
Hazardous Chemicals (Emg. Mgr. Trust)	8,977.54	1,250.00	-	-	1,968.00	8,259.54
Document Preservation	18,751.35	11,601.00	-	-	21,564.94	8,787.41
CDBG Off Book	-	482,407.45	-	-	467,623.69	14,783.76
<b>Total Non-Major Special Revenue Funds</b>	<b>\$ 1,060,155.80</b>	<b>\$ 1,937,120.91</b>	<b>\$ 646,291.17</b>	<b>\$ 685,430.28</b>	<b>\$ 1,747,644.34</b>	<b>\$ 1,210,493.26</b>
<b>Total Governmental Funds</b>	<b>\$ 5,781,436.16</b>	<b>\$ 8,673,011.60</b>	<b>\$ 1,919,037.89</b>	<b>\$ 1,919,037.89</b>	<b>\$ 7,991,148.24</b>	<b>\$ 6,463,299.52</b>
<b>Agency Funds</b>						
Sheriff Trust	\$ 3,505.00	\$ 1,521.00	\$ -	\$ -	\$ 260.00	\$ 4,766.00
Victims Assistance Fund	1,435.00	1,080.00	-	-	-	2,515.00
County Library (Agency)	2,193.54	107,869.89	-	-	109,649.77	413.66
Historical Society (Agency)	258.96	11,961.47	-	-	12,169.57	50.86
County Ambulance (Agency)	3,108.99	143,551.25	-	-	146,049.08	611.16
Estimated Taxes	2,301.21	38,465.35	-	-	40,766.56	-
State Medical Center Levy	131.25	47,915.34	-	-	47,818.37	228.22
Job Development Authority	391.71	145,755.03	-	-	145,516.24	630.50
Soil Conservation District	2,215.64	96,100.10	-	-	97,858.96	456.78
Domestic Violence Prevention	70.00	595.00	-	-	595.00	70.00
Senior Citizens	2,072.54	136,334.95	-	-	137,999.83	407.66
Criminal Seizures	-	1,645.00	-	-	-	1,645.00
NDSU County Agent Trust	9,281.37	2,734.83	-	-	3,818.63	8,197.57
Cavalier County Health District	1,382.73	58,477.21	-	-	59,607.20	252.74
Cav. County Water Resource District	2,019.79	91,568.52	-	-	93,198.43	389.88
City Airport Authority	1,036.42	47,853.31	-	-	48,686.07	203.66
Drain Maintenance	12,789.75	270,273.38	-	-	282,022.66	1,040.47
Total Cities, Parks & Townships	96,150.41	2,180,846.25	-	-	2,266,111.88	10,884.78
Total School Districts	70,000.29	3,383,084.98	-	-	3,437,691.56	15,393.71
Total Rural Fire Districts & Ambulance	3,922.14	185,844.48	-	-	188,724.99	1,041.63
<b>Total Agency Funds</b>	<b>\$ 214,266.74</b>	<b>\$ 6,953,477.34</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,118,544.80</b>	<b>\$ 49,199.28</b>
<b>Total Primary Government</b>	<b>\$ 5,995,702.90</b>	<b>\$ 15,626,488.94</b>	<b>\$ 1,919,037.89</b>	<b>\$ 1,919,037.89</b>	<b>\$ 15,109,693.04</b>	<b>\$ 6,512,498.80</b>

STATE AUDITOR

JOSHUA C. GALLION  
Phone (701) 328-2241



Local Government Division  
FARGO OFFICE  
MANAGER – CRAIG HASHBARGER  
Phone (701)239-7250

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

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

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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, 2017, and the related notes to the financial statements, which collectively comprise Cavalier County's basic financial statements, and have issued our report thereon dated October 29, 2018.

**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.



**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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**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*.

**Purpose of this Report**

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

/S/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
October 29, 2018

**CAVALIER COUNTY**

Summary of Auditor's Results and Findings  
For the Year Ended December 31, 2017

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**Section I - Summary of Auditor's Results**

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Financial Statements

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

Internal control over financial reporting

Material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None	Noted
Significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None	Noted
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None	Noted

**Section II - Financial Statement Findings**

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No matters were reported.

**STATE AUDITOR**

JOSHUA C. GALLION  
Phone (701) 328-2241



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**GOVERNANCE COMMUNICATION**

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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, and the respective changes in financial position for the year ended December 31, 2017 which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 29, 2018. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America, Government Auditing Standards**

As stated in our engagement letter dated August 1, 2018, 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. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

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, 2017. 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.

**CAVALIER COUNTY**

Governance Communication - Continued

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

**Corrected and Uncorrected Misstatements**

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

<b>AUDIT ADJUSTMENTS - COUNTY</b>			
Intergovernmental Receivable	\$	179,826	
Accounts Receivable		26,977	
Cash Adjustment		1,300	
Revenue			\$ 208,103
Revenue		499,169	
Unearned Revenue			317,206
Loan Receivable Collections			181,963
Expenditures		627,503	
Accounts Payable			18,293
Loan Financing			609,210
Loan Receivable Issuance		414,035	
Expenditures			414,035

**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 October 29, 2018.

**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:

\* \* \* \* \*

<p><b>SEGREGATION OF DUTIES – COMPONENT UNITS</b></p>
-----------------------------------------------------------

The Cavalier County Water Resource District, Cavalier County Jobs Development Authority, Cavalier County Library, 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, Cavalier County Library, 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, Cavalier County Library, 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.

/S/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
October 29, 2018

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