

**OFFICE OF
STATE AUDITOR**

AUDIT REPORT

**CAVALIER COUNTY
LANGDON, NORTH DAKOTA**

FOR THE YEAR ENDED DECEMBER 31, 2011



CAVALIER COUNTY
Langdon, North Dakota

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CAVALIER COUNTY
Langdon, North Dakota

COUNTY OFFICIALS

December 31, 2011

Harold Nowatski
Richard Flanders
Elsie Magnus
Alvin Carlson
Tom Borgen

Dawn Roppel
Charlotte Soli
David Zeis
Vicki Kubat
R.Scott Stewart
Anita Schwartz
Terry Johnston
Karen Kempert

Commissioner - Chairman
Commissioner - Vice Chairman
Commissioner
Commissioner
Commissioner

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

STATE AUDITOR

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



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

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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Cavalier County
Langdon, North Dakota

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, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Cavalier County's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously 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, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2013, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information* on pages 30 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

CAVALIER COUNTY

Independent Auditor's Report - Continued

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cavalier County's basic financial statements. The schedule of fund activity arising from cash transactions and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the financial statements or to the 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 arising from cash transactions is not fairly stated in all material respects in relation to the financial statements taken as a whole. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements taken as a whole.



Robert R. Peterson
State Auditor

January 23, 2013

CAVALIER COUNTY
Langdon, North Dakota

STATEMENT OF NET ASSETS
December 31, 2011

	Primary Governmental Activities	Component Units
ASSETS		
Cash and cash equivalents	\$ 4,809,055	\$ 456,622
Accounts receivable	32,867	-
Intergovernmental receivable	479,375	20,530
Road accounts receivable	102,110	-
Taxes receivable	50,874	3,963
Loans receivable	-	315,991
Capital Assets (not being depreciated):		
Land	10,000	-
Capital Assets (net of accumulated depreciation):		
Buildings	225,000	-
Building Improvements	167,217	-
Equipment/Vehicles	1,290,364	52,680
Infrastructure	2,119,419	2,335,560
Total Capital Assets	<u>\$ 3,812,000</u>	<u>\$ 2,388,240</u>
Total Assets	<u>\$ 9,286,281</u>	<u>\$ 3,185,346</u>
LIABILITIES		
Accounts payable	\$ 90,890	\$ 21,530
Benefits payable	-	623
Unearned revenue	1,079,005	-
Loans payable	-	204,044
Interest payable	10,553	-
Long-Term Liabilities:		
Due Within One Year:		
Leases payable	112,257	-
Bonds payable	160,000	-
Loans payable	21,161	69,947
Compensated absences payable	22,447	2,517
Due After One Year:		
Leases payable	471,710	-
Bonds payable	485,000	-
Loans payable	76,898	24,999
Compensated absences payable	202,021	22,647
Total Liabilities	<u>\$ 2,731,942</u>	<u>\$ 346,307</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 2,484,974	\$ 2,388,240
Restricted for:		
Public safety	298,330	-
Highways and bridges	1,536,652	-
FEMA road repair	526,430	-
Health and welfare	265,930	157,392
Conservation of natural resources	45,766	158,196
Emergencies	14,129	-
Economic development	-	135,211
General Government	573,761	-
Unrestricted	808,367	-
Total Net Assets	<u>\$ 6,554,339</u>	<u>\$ 2,839,039</u>

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

CAVALIER COUNTY
Langdon, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities	Component Units
<u>Primary Government:</u>					
General government	\$ 1,375,405	\$ 46,095	\$ -	\$ (1,329,310)	
Public safety	592,342	228,416	149,229	(214,697)	
Highways and bridges	1,761,921	405,448	845,103	(511,370)	
FEMA road repair	644,534	-	398,229	(246,305)	
Health and welfare	757,234	380	201,357	(555,497)	
Conserv. of natural resources	-	-	27,943	27,943	
Culture and recreation	246,547	-	-	(246,547)	
Interest and fiscal charges	28,170	-	-	(28,170)	
Total Governmental Activities	\$ 5,406,153	\$ 680,339	\$ 1,621,861	\$ (3,103,953)	
<u>Component Units:</u>					
Water resource district	\$ 495,090	\$ 227,160	\$ 30,494		\$ (237,436)
Health district	309,431	47,142	216,876		(45,413)
Job development authority	320,809	208,576	7,630		(104,603)
Total Component Units	\$ 1,125,330	\$ 482,878	\$ 255,000		\$ (387,452)
<u>General revenues:</u>					
Taxes:					
Property taxes; levied for general purposes				\$ 801,228	\$ -
Property taxes; levied for special purposes				2,499,544	277,693
Sales taxes				-	1,524
Unrestricted grants and contributions				533,053	-
Unrestricted investment and interest earnings				60,971	4,381
Miscellaneous revenue				82,529	33,471
Total General Revenues				\$ 3,977,325	\$ 317,069
Change in Net Assets				\$ 873,372	\$ (70,383)
Net Assets - January 1				\$ 5,688,830	\$ 2,909,422
Prior Period Adjustments				(7,863)	-
Net Assets - January 1, as restated				\$ 5,680,967	\$ 2,909,422
Net Assets - December 31				\$ 6,554,339	\$ 2,839,039

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

CAVALIER COUNTY
Langdon, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2011

	General	Farm to Market Road	County Road Fund	County Road and Bridge	Highway Tax Distribution	2009 FEMA Road Fund
ASSETS						
Cash and cash equivalents	\$ 880,549	\$ 120,760	\$ 364,991	\$ 67,210	\$ 184,969	\$ 87,938
Accounts receivable	32,867	-	-	-	-	-
Intergovernmental receivable	155,600	-	-	-	71,275	-
Road accounts receivable	-	-	-	102,110	-	-
Taxes receivable	12,137	5,807	2,010	3,171	-	-
Total Assets	\$ 1,081,153	\$ 126,567	\$ 367,001	\$ 172,491	\$ 256,244	\$ 87,938
LIABILITIES AND FUND BALANCES						
<u>Liabilities:</u>						
Accounts payable	\$ 17,422	\$ 62,495	\$ -	\$ 10,973	\$ -	\$ -
Deferred revenue	12,137	5,807	2,010	105,281	-	-
Unearned revenue	255,364	120,734	41,792	67,189	-	-
Total Liabilities	\$ 284,923	\$ 189,036	\$ 43,802	\$ 183,443	\$ -	\$ -
<u>Fund Balances:</u>						
Restricted Fund Balances:						
Highways & bridges	\$ -	\$ -	\$ 323,199	\$ -	\$ 256,244	\$ -
Flood repair	-	-	-	-	-	87,938
Health & welfare	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
General government	-	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-
Emergencies	-	-	-	-	-	-
Unassigned Fund Balances	796,230	(62,469)	-	(10,952)	-	-
Total Fund Balances	\$ 796,230	\$ (62,469)	\$ 323,199	\$ (10,952)	\$ 256,244	\$ 87,938
Total Liabilities and Fund Balances	\$ 1,081,153	\$ 126,567	\$ 367,001	\$ 172,491	\$ 256,244	\$ 87,938

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

Social Services	County Poor	OASIS Social Security	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 345	\$ 494,303	\$ 392,813	\$ 546,932	\$ 1,668,245	\$ 4,809,055
-	-	-	-	-	32,867
-	-	-	-	252,500	479,375
-	-	-	-	-	102,110
-	8,934	7,192	-	11,623	50,874
<u>\$ 345</u>	<u>\$ 503,237</u>	<u>\$ 400,005</u>	<u>\$ 546,932</u>	<u>\$ 1,932,368</u>	<u>\$ 5,474,281</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90,890
-	8,934	7,192	-	11,623	152,984
-	185,742	167,170	-	241,014	1,079,005
<u>\$ -</u>	<u>\$ 194,676</u>	<u>\$ 174,362</u>	<u>\$ -</u>	<u>\$ 252,637</u>	<u>\$ 1,322,879</u>
\$ -	\$ -	\$ -	\$ 546,932	\$ 431,039	\$ 1,557,414
-	-	-	-	438,492	526,430
345	308,561	-	-	-	308,906
-	-	-	-	367,606	367,606
-	-	225,643	-	383,976	609,619
-	-	-	-	44,600	44,600
-	-	-	-	14,018	14,018
-	-	-	-	-	722,809
<u>\$ 345</u>	<u>\$ 308,561</u>	<u>\$ 225,643</u>	<u>\$ 546,932</u>	<u>\$ 1,679,731</u>	<u>\$ 4,151,402</u>
<u>\$ 345</u>	<u>\$ 503,237</u>	<u>\$ 400,005</u>	<u>\$ 546,932</u>	<u>\$ 1,932,368</u>	<u>\$ 5,474,281</u>

CAVALIER COUNTY
Langdon, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
December 31, 2011

Total *Fund Balances* of Governmental Funds \$ 4,151,402

Amounts reported for governmental activities in the statement of net assets
are 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	\$ 5,454,949	
Less Accumulated Depreciation	<u>(1,642,949)</u>	
Net Capital Assets		3,812,000

Property taxes, contract 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 revenues in the funds.

Property Taxes Receivable	\$ 50,874	
Road Department Accounts Receivable	<u>102,110</u>	152,984

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 assets.
Balances at December 31, 2011 are:

Loans Payable	\$ (98,059)	
Bonds Payable	(645,000)	
Leases Payable	(583,967)	
Interest Payable	(10,553)	
Compensated Absences Payable	<u>(224,468)</u>	
Total Long-Term Liabilities		<u>(1,562,047)</u>

Net Assets of Governmental Activities \$ 6,554,339

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

CAVALIER COUNTY
Langdon, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2010

	General	Farm to Market Road	County Road Fund	County Road and Bridge	Highway Tax Distribution	2009 FEMA Road Fund
<u>Revenues:</u>						
Taxes	\$ 806,274	\$ 377,566	\$ 130,705	\$ 206,217	\$ -	\$ -
Intergovernmental	681,068	-	-	-	845,104	-
Charges for services	207,905	359	-	384,144	-	-
Licenses, permits and fees	1,960	-	-	-	-	-
Interest income	55,805	-	-	-	-	-
Miscellaneous	60,585	12,066	-	126	-	-
Total Revenues	\$ 1,813,597	\$ 389,991	\$ 130,705	\$ 590,487	\$ 845,104	\$ -
<u>Expenditures:</u>						
Current:						
General government	\$ 837,973	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	592,152	-	-	-	-	-
Highways and bridges	-	501,973	7,339	1,447,841	-	-
FEMA road repair	-	-	-	-	-	620,544
Health and welfare	26,460	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-
Debt Service:						
Principal	20,341	-	-	61,398	-	-
Interest and fiscal charges	4,332	-	-	8,602	-	-
Total Expenditures	\$ 1,481,258	\$ 501,973	\$ 7,339	\$ 1,517,841	\$ -	\$ 620,544
Excess (Deficiency) of Revenues Over Expenditures	\$ 332,339	\$ (111,982)	\$ 123,366	\$ (927,354)	\$ 845,104	\$ (620,544)
<u>Other Financing Sources (Uses):</u>						
Transfers in	\$ 18,894	\$ 77,400	\$ -	\$ 677,000	\$ -	\$ -
Capital leases	-	-	-	321,086	-	-
Transfers out	-	-	(34,000)	(32,999)	(720,400)	-
Total Other Financing Sources and Uses	\$ 18,894	\$ 77,400	\$ (34,000)	\$ 965,087	\$ (720,400)	\$ -
Net Change in Fund Balances	\$ 351,233	\$ (34,582)	\$ 89,366	\$ 37,733	\$ 124,704	\$ (620,544)
Fund Balances - January 1	\$ 444,997	\$ (27,887)	\$ 233,833	\$ (52,567)	\$ 131,540	\$ 712,364
Prior Period Adjustment	-	-	-	3,882	-	(3,882)
Fund Balance - Jan. 1, as restated	\$ 444,997	\$ (27,887)	\$ 233,833	\$ (48,685)	\$ 131,540	\$ 708,482
Fund Balances - December 31	\$ 796,230	\$ (62,469)	\$ 323,199	\$ (10,952)	\$ 256,244	\$ 87,938

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

Social Services	County Poor	OASIS Social Security	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 580,859	\$ 467,597	\$ -	\$ 757,812	\$ 3,327,030
201,357	-	-	-	427,385	2,154,914
140	-	-	-	64,646	657,194
240	-	-	-	-	2,200
-	-	-	5,166	-	60,971
3,252	-	-	-	6,500	82,529
<u>\$ 204,989</u>	<u>\$ 580,859</u>	<u>\$ 467,597</u>	<u>\$ 5,166</u>	<u>\$ 1,256,343</u>	<u>\$ 6,284,838</u>
\$ -	\$ -	\$ 371,881	\$ -	\$ 148,379	\$ 1,358,233
-	-	-	-	7,929	600,081
-	-	-	86,960	-	2,044,113
-	-	-	-	23,990	644,534
686,538	27,555	-	-	8,374	748,927
-	-	-	-	241,954	241,954
3,664	-	-	155,000	-	240,403
565	-	-	11,474	-	24,973
<u>\$ 690,767</u>	<u>\$ 27,555</u>	<u>\$ 371,881</u>	<u>\$ 253,434</u>	<u>\$ 430,626</u>	<u>\$ 5,903,218</u>
<u>\$ (485,778)</u>	<u>\$ 553,304</u>	<u>\$ 95,716</u>	<u>\$ (248,268)</u>	<u>\$ 825,717</u>	<u>\$ 381,620</u>
\$ 476,000	\$ -	\$ -	\$ -	\$ 58,999	\$ 1,308,293
-	-	-	-	-	321,086
-	(476,000)	(26,000)	-	(18,894)	(1,308,293)
<u>\$ 476,000</u>	<u>\$ (476,000)</u>	<u>\$ (26,000)</u>	<u>\$ -</u>	<u>\$ 40,105</u>	<u>\$ 321,086</u>
<u>\$ (9,778)</u>	<u>\$ 77,304</u>	<u>\$ 69,716</u>	<u>\$ (248,268)</u>	<u>\$ 865,822</u>	<u>\$ 702,706</u>
\$ 10,123	\$ 231,257	\$ 155,927	\$ 795,200	\$ 821,772	\$ 3,456,559
-	-	-	-	(7,863)	(7,863)
<u>\$ 10,123</u>	<u>\$ 231,257</u>	<u>\$ 155,927</u>	<u>\$ 795,200</u>	<u>\$ 813,909</u>	<u>\$ 3,448,696</u>
<u>\$ 345</u>	<u>\$ 308,561</u>	<u>\$ 225,643</u>	<u>\$ 546,932</u>	<u>\$ 1,679,731</u>	<u>\$ 4,151,402</u>

CAVALIER COUNTY
Langdon, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

Net Change in *Fund Balances* - Total Governmental Funds \$ 702,706

Amounts reported for governmental activities in the statement of activities are 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 outlays exceeded depreciation expense for the year.

Current Year Capital Outlay	\$ 521,473	
Current Year Depreciation Expense	<u>(254,951)</u>	266,522

The proceeds of debt issuances are reporting as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which debt issuances exceeded debt payments for the year.

Repayment of Debt - Loans	\$ 20,342	
Repayment of Debt - Leases	65,061	
Repayment of Debt - Bonds	155,000	
Lease Issuance	<u>(321,086)</u>	(80,683)

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

Net Change in Compensated Absences	\$ (6,663)	
Net Change in Interest Payable	<u>(3,197)</u>	(9,860)

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

Net Change in Taxes Receivable	\$ (26,258)	
Net Change in Road Accounts Receivable	<u>20,945</u>	<u>(5,313)</u>

Change in Net Assets of Governmental Activities \$ 873,372

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

CAVALIER COUNTY
Langdon, North Dakota

COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
December 31, 2011

	Component Units			Totals
	Water Resource District	Health District	Job Development Authority	
ASSETS				
Cash and cash equivalents	\$ 251,836	\$ 175,186	\$ 29,600	\$ 456,622
Intergovernmental receivable	-	-	20,530	20,530
Taxes receivable	1,306	922	1,735	3,963
Loans receivable	-	-	315,991	315,991
Capital Assets (net of accumulated depreciation):				
Equipment	52,680	-	-	52,680
Infrastructure	2,335,560	-	-	2,335,560
Total Capital Assets	<u>\$ 2,388,240</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,388,240</u>
Total Assets	<u>\$ 2,641,382</u>	<u>\$ 176,108</u>	<u>\$ 367,856</u>	<u>\$ 3,185,346</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 21,530	\$ 21,530
Benefits payable	-	-	623	623
City loans payable	-	-	204,044	204,044
Long-Term Liabilities:				
Due Within One Year:				
Bank loans payable	69,947	-	-	69,947
Compensated absences payable	-	1,872	645	2,517
Due After One Year:				
Bank loans payable	24,999	-	-	24,999
Compensated absences payable	-	16,844	5,803	22,647
Total Liabilities	<u>\$ 94,946</u>	<u>\$ 18,716</u>	<u>\$ 232,645</u>	<u>\$ 346,307</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 2,388,240	\$ -	\$ -	\$ 2,388,240
Restricted for:				
Health and welfare	-	157,392	-	157,392
Conservation of natural resources	158,196	-	-	158,196
Economic development	-	-	135,211	135,211
Total Net Assets	<u>\$ 2,546,436</u>	<u>\$ 157,392</u>	<u>\$ 135,211</u>	<u>\$ 2,839,039</u>

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

CAVALIER COUNTY
Langdon, North Dakota

COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			Totals
		Charges for Services	Operating Grants and Contributions	Component Units			
				Water Resource	Health District	Job Development Authority	
<u>Component Units:</u>							
Water Resource District	\$ 495,090	\$ 227,160	\$ 30,494	\$ (237,436)	\$ -	\$ -	\$ (237,436)
Health District	309,431	47,142	216,876	-	(45,413)	-	(45,413)
Job Development Authority	320,809	208,576	7,630	-	-	(104,603)	(104,603)
Total Component Units	\$ 1,125,330	\$ 482,878	\$ 255,000	\$ (237,436)	\$ (45,413)	\$ (104,603)	\$ (387,452)
<u>General Revenues:</u>							
<u>Taxes:</u>							
Property taxes; levied for special purposes				\$ 104,276	\$ 58,048	\$ 115,369	\$ 277,693
Sales taxes				-	-	1,524	1,524
Unrestricted investment and interest earnings				2,551	1,780	50	4,381
Miscellaneous revenue				-	192	33,279	33,471
Total General Revenues				\$ 106,827	\$ 60,020	\$ 150,222	\$ 317,069
Change in Net Assets				\$ (130,609)	\$ 14,607	\$ 45,619	\$ (70,383)
Net Assets - January 1				\$ 2,677,045	\$ 142,785	\$ 89,592	\$ 2,909,422
Net Assets - December 31				\$ 2,546,436	\$ 157,392	\$ 135,211	\$ 2,839,039

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

CAVALIER COUNTY
Langdon, North Dakota

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2011

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	<u>\$ 1,724,286</u>
<u>LIABILITIES</u>	
Due to other governments	<u>\$ 1,724,286</u>

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

CAVALIER COUNTY
Langdon, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

COMPONENT UNITS

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

Component Units: The component units' column in the basic financial statements includes the financial data of the county's three component units combined. Additionally, combining statements are presented for the component units to emphasize that they are legally separate from the county.

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

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

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

CAVALIER COUNTY

Notes to the Financial Statements - Continued

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:

	2011
County Library	\$95,893
Senior Citizens	76,226
Historical Society	7,243

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the county's funds including its fiduciary funds. Separate statements for each fund category-*governmental* and *fiduciary*-are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The county reports the following major governmental funds:

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

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

County Road Fund. This fund accounts for repair and improvement of county roads that are legally restricted from taxes levied.

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

Highway Tax Distribution Fund. This fund accounts for repair and improvement of highways and bridges that are legally restricted from a state highway gas tax.

2009 FEMA Road Fund. This fund accounts for repair and improvement of highways and bridges that are damaged due to natural disasters and paid for primarily by FEMA public assistance monies (restricted state and federal revenues).

Social Service Fund. This fund accounts for the costs of providing social service benefits and programs to needy residents of the county from restricted state and federal grants and reimbursements.

CAVALIER COUNTY

Notes to the Financial Statements - Continued

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

OASIS Social Security Fund. This fund accounts for the costs of social security for county employees financed by a restricted tax levy.

Capital Projects Fund. This fund accounts for the costs of a highway project for which bonds were issued for repair/construction costs.

Additionally, the County reports the following fund type:

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The county has elected not to follow subsequent private-sector guidance.

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

CAVALIER COUNTY

Notes to the Financial Statements - Continued

D. Capital Assets

PRIMARY GOVERNMENT:

Capital assets were not reported in the governmental activities column in the government-wide financial statements for the year ended December 31, 2008 due to incomplete capital asset records for that year. However, the County did update and report capital assets for the year ended December 31, 2011. The County also adopted an updated capital assets policy during 2011. Capital assets per policy for the government are defined 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.

Per policy, general infrastructure assets acquired prior to January 1, 2004 consisting of various road and bridge network assets won't be reported in the financial statements, as the County is required to prospectively report infrastructure assets beginning January 1, 2004 as a Phase III GASB 34 implementation entity. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets is not capitalized.

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

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

DISCRETELY PRESENTED COMPONENT UNITS:

Capital Assets – Component Units:

Capital assets of the Cavalier County Water Resource District include infrastructure. Assets are reported in combined component unit column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Capital assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add to the value of the capital asset or materially extend asset lives are not capitalized.

Assets	WRD
Infrastructure	25
Equipment	5

E. Compensated Absences

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

CAVALIER COUNTY

Notes to the Financial Statements - Continued

County Employees:

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

Social Service Employees:

Years of Service	Hours per Month
1 through 3 years	8
4 through 7 years	10
8 through 12 years	12
13 through 18 years	14
19 years and above	16

F. 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 assets. Bond premiums, discounts and issuance costs are recognized in the current period if the amounts are not material. If the amounts are material, they are capitalized and amortized over the life of the bonds.

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

G. Fund Balances & Net Assets Equity

Prior to GASB Statement No. 54, in the fund financial statements, the governmental funds reported reservations of fund balances for amounts that were not available for appropriation or were legally restricted by outside parties for use for a specific purpose. Designations of fund balances represented tentative management plans that were subject to change. GASB Statement No. 54 established new fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

Fund Balance Spending Policy:

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

Major Special Revenue Fund Purposes & Revenue Sources:

Purposes and major revenue sources of the major special revenue funds (county road & bridge, road & bridge, farm to market road, highway tax distribution, 2009 FEMA road, social services, county poor, and OASIS & social security) are disclosed in more detail in Note 1B in the discussion of major funds.

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

On March 11, 2009 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal periods that begin after June 15, 2010. This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

CAVALIER COUNTY

Notes to the Financial Statements - Continued

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

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

Cavalier County did not have any non-spendable balances, assigned fund balances, or committed balances reported in the balance sheet at December 31, 2011.

Restricted Fund Balances – consist of the following items at December 31, 2011:

Restricted fund balances are shown by primary function on the balance sheet for general government, public safety, highways & bridges, health & welfare, culture & recreation, conservation of natural resources, emergencies, flood control, debt service, and other purposes (reported in the other governmental funds). Restricted fund balances are restricted by enabling legislation (primarily state law for various tax levies) and by outside 3rd parties (State & Federal governments for various grants & reimbursements and bond indentures).

Special Revenue Funds – Restricted & Committed Fund Balances:

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

Unassigned Fund Balances:

Unassigned fund balances at year-end 2011 consist of an amount in the general fund and amounts reported for negative fund balances in the farm to market road fund and the county road and bridge fund.

CAVALIER COUNTY

Notes to the Financial Statements - Continued

Net Assets Equity:

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.

Invested in capital assets, net of related debt, is reported for capital assets less accumulated depreciation and any related debt (loans payable) issued to construct them. 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 assets equity shown in the net assets statement are due to restricted tax levies and restricted Federal & State grants/reimbursements.

Net assets equity in the statement of net assets is shown by primary function (as fund balance are shown) as fund balances are shown and is restricted for highways and bridges, public safety, emergencies, health & welfare, conservation of resources, flood recovery, debt services, and general government (health insurance, insurance reserve, veteran's service officer, and social security).

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

H. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

The investments of the county during the year ended December 31, 2011 consist of certificates of deposit stated at fair value.

NOTE 2: LEGAL COMPLIANCE - BUDGETS**BUDGET AMENDMENTS**

The board of county commissioners amended the county budgeted expenditures and revenues for 2011 as follows:

Budget Amendments:	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
Farm to Market Road	\$417,386	\$ 22,100	\$439,486
County Agent	103,429	920	104,349
Weed Control	83,231	50,500	133,731
2009 FEMA Road	-	621,000	621,000
2009 FEMA Project Manager	-	24,000	24,000
Capital Projects	-	254,000	254,000

Budget Amendments:	REVENUES		
	Original Budget	Amendment	Amended Budget
Farm to Market Road	\$387,000	\$ 13,000	\$390,000
County Road & Bridge	631,300	37,000	668,300
County Road	122,500	8,250	130,750
Road & Bridge Excess Levy	277,000	14,000	291,000
2011 FEMA Road	-	142,000	142,000
2011 FEMA Project Manager	-	4,000	4,000
Social Services	186,950	27,000	213,950
County Poor	560,000	21,000	581,000

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CAVALIER COUNTY

Notes to the Financial Statements - Continued

CONTINUED...

Budget Amendments:	REVENUES		
	Original Budget	Amendment	Amended Budget
County Agent	\$113,000	\$ 4,200	\$116,200
Emergency Fund	7,000	250	7,250
Veteran's Service Officer	17,900	1,000	18,900
Social Security	458,500	9,100	467,600
Health Insurance	142,500	2,750	145,250
Weed Control	116,000	26,000	142,000
Insurance Reserve	81,000	12,000	93,000
Capital Projects	-	7,650	7,650
E-911 Land Line	175,000	(147,810)	27,190
E-911 Cell Phone	140,000	(104,700)	35,300
Highway Tax Distribution	530,000	309,000	839,000

NOTE 3: DEPOSITS

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

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

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

At year ended December 31, 2011, the county's bank balances totaled \$5,769,724 and the carrying amount of deposits totaled \$6,525,500. Of the bank balances, \$1,838,393 was covered by Federal Depository Insurance. The remaining balances totaling \$3,905,957 were entirely collateralized with securities held by the pledging financial institution's agent in the government's name totaling \$7,854,550 and \$25,375 was held at the Bank of North Dakota (not requiring collateralization).

The Job Development Authority's bank balances totaling \$42,159 were covered entirely by Federal Depository Insurance. The carrying amount of deposits totaled \$29,600. The Water Resource District's bank balances totaling \$314,606 were entirely covered by Federal Depository Insurance. The carrying value of deposits totaled \$251,784. The Health Unit's bank balances totaling \$204,528 were entirely covered by Federal Depository Insurance. The carrying value of deposits totaled \$175,186.

CAVALIER COUNTY

Notes to the Financial Statements - Continued

Credit Risk:

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

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

As of December 31, 2011, the County held certificates of deposit in the amount of \$185,469; the Water Resource District held \$5,215; and the Health Unit held \$62,175 which are all considered deposits.

Concentration of Credit Risk:

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

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

NOTE 4: TAXES RECEIVABLE

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

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

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

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

NOTE 5: ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts due from a policing contract in the general fund with the City of Langdon not yet received and for bond proceeds in the capital projects fund.

NOTE 6: ROAD RECEIVABLES

Road department receivables consist of amounts due for road work for individuals, townships and cities.

NOTE 7: INTERGOVERNMENTAL RECEIVABLES

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

CAVALIER COUNTY

Notes to the Financial Statements - Continued

NOTE 8: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2011 for the primary government:

Primary Government:	Balance 1-1-11	Increases	Decreases	Balance 12-31-11
Governmental Activities:				
<i>Capital Assets not being depreciated</i>				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
<i>Capital assets being depreciated:</i>				
Buildings	\$ 500,000	\$ -	\$ -	\$ 500,000
Building Improvements	232,246	-	-	232,246
Vehicles and Equipment	1,475,648	521,473	-	1,997,121
Infrastructure	2,715,582	-	-	2,715,582
Total Capital Assets, Being Depreciated	\$4,923,476	\$521,473	\$ -	\$5,444,949
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 270,000	\$ 5,000	\$ -	\$ 275,000
Building Improvements	55,739	9,290	-	65,029
Vehicles and Equipment	574,719	132,037	-	706,757
Infrastructure	487,540	108,623	-	596,163
Total Accumulated Depreciation	\$1,387,998	\$254,951	\$ -	\$1,642,949
Total Capital Assets Being Depreciated, Net	\$3,535,478	\$266,522	\$ -	\$3,802,000
<i>Governmental Capital Assets, Net</i>	\$3,545,478	\$266,522	\$ -	\$3,812,000

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

Governmental Activities:	Amounts
General Government	\$ 20,490
Public Safety	14,808
Highways and Bridges	209,796
Health and Welfare	5,857
Conservation of Natural Resources	4,000
Total Depreciation Expense - Governmental Activities	\$254,951

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, 2011:

Component Unit - WRD:	Balance 1-1-11	Increases	Decreases	Balance 12-31-11
Governmental Activities:				
<i>Capital assets being depreciated:</i>				
Infrastructure	\$2,905,464	\$ 11,655	\$ -	\$2,917,118
Equipment	20,609	54,119	9,000	65,728
Total Capital Assets, Being Depreciated	\$2,926,073	\$ 65,773	\$9,000	\$2,982,846
<i>Less Accumulated Depreciation for:</i>				
Infrastructure	\$ 464,874	\$116,219	\$ -	\$ 581,559
Equipment	5,922	10,726	3,600	13,048
Total Accumulated Depreciation	\$ 470,796	\$127,411	\$3,600	\$ 594,607
Total Capital Assets Being Depreciated, Net	\$2,455,277	\$ (61,367)	\$5,400	\$2,388,240

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

CAVALIER COUNTY

Notes to the Financial Statements - Continued

NOTE 9: DEFERRED / UNEARNED REVENUES

Deferred revenues in the fund financial statements consist of amounts for taxes receivable and road department receivables for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met and also include the amount of prepaid taxes collected prior to year-end not apportioned until January 2011. Under the modified accrual basis of accounting, uncollected taxes are measurable but not available. Unearned revenues in the government wide statement of activities consist of prepaid taxes collected prior to December 31, 2011 but not earned until January 2011 when they are properly apportioned.

NOTE 10: LONG-TERM DEBT

Changes in Long-Term Liabilities - During the year ended December 31, 2011, the following changes occurred in governmental activities long-term liabilities for Cavalier County:

Governmental Activities:	Balance 1-1-11	Increases	Decreases	Balance 12-31-11	Due Within One Year
Bonds Payable	\$ 800,000	\$ -	\$(155,000)	\$ 645,000	\$160,000
Loans Payable	118,400	-	(20,341)	98,059	21,161
Leases Payable	327,943	321,086	(65,601)	583,967	112,257
Compensated Absences *	217,806	6,662	-	224,468	22,447
Total Governmental Activities	\$1,464,149	\$327,748	\$(240,942)	\$1,551,494	\$315,865

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

Outstanding debt (excluding compensated absences) at December 31, 2011 for the primary government governmental activities consists of the following issues:

Loan Payable:

\$232,263 Loan Payable for boiler, due in monthly installments of \$1,665 to \$2,048 through April 2, 2016; interest at 3.96%. \$ 98,059

Bonds Payable:

\$800,000 Bonds Payable for a road project, due in yearly payments of \$155,000 to \$165,000 through November 1, 2015; interest at 1.0% to 2.8%. 645,000

Leases Payable:

Separate capital leases exist for a car for the social service department and for motor graders. Car lease due in annual installments of \$3,664 to \$4,031 through November 10, 2013; interest at 4.9%. Motor grader leases are due in annual installments of \$60,278 to \$67,156 through April 15, 2021; interest at 3% and 3.75%. 583,967

Total Long-Term Debt (excluding compensated absences) \$1,327,026

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

GOVERNMENTAL ACTIVITIES				
Year Ending December 31	Leases Payable		Loan Payable	
	Principal	Interest	Principal	Interest
2012	\$112,258	\$12,350	\$21,161	\$3,502
2013	108,863	15,745	22,015	2,648
2014	108,434	11,945	22,903	1,761
2015	111,917	8,171	23,826	837
2016	46,104	4,275	8,153	67
2017-2021	96,391	4,367	-	-
Totals	\$583,967	\$56,853	\$98,059	\$8,815

CAVALIER COUNTY

Notes to the Financial Statements - Continued

GOVERNMENTAL ACTIVITIES		
Year Ending December 31	Bonds Payable	
	Principal	Interest
2012	\$160,000	\$12,020
2013	160,000	9,540
2014	160,000	6,380
2015	165,000	2,310
Totals	\$645,000	\$30,250

DISCRETELY PRESENTED COMPONENT UNITS:
Cavalier County Water Resource District:

Changes in Long-Term Liabilities - During the year ended December 31, 2011, the following changes occurred in governmental long-term liabilities of the District:

Governmental Activities:	Balance 1-1-11	Increases	Decreases	Balance 12-31-11	Due Within One Year
Loans Payable	\$35,744	\$107,761	(\$48,559)	\$94,946	\$69,947

Loan Payable – WRD:

\$50,000 line of credit from Farmers Merchants State Bank for the Cypress Creek Project; with interest at 3.250% until paid in full. \$37,185

\$550,000 line of credit from Farmers Merchants State Bank for the Mulberry Creek Project; with interest at 3.250% until paid in full. \$57,761

Job Development Authority:

Changes in Long-Term Liabilities - During the year ended December 31, 2011, the following changes occurred in governmental long-term liabilities of the Authority:

Governmental Activities:	Balance 1-1-11	Increases	Decreases	Balance 12-31-11	Due Within One Year
Compensated Absences *	\$4,000	\$2,448	\$ -	\$6,448	\$645

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

Cavalier County Health Unit:

Changes in Long-Term Liabilities - During the year ended December 31, 2011, the following changes occurred in governmental long-term liabilities of the Unit:

Governmental Activities:	Balance 1-1-11	Increases	Decreases	Balance 12-31-11	Due Within One Year
Compensated Absences *	\$17,146	\$1,570	\$ -	\$18,716	\$1,872

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

CAVALIER COUNTY

Notes to the Financial Statements - Continued

NOTE 11: TRANSFERS

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2011:

Fund	Transfers In	Transfers Out
General	\$ 18,894	\$ -
Farm to Market Road	77,400	-
County Road & Bridge	677,000	32,999
County Road	-	34,000
Social Services	476,000	-
County Poor	-	476,000
Highway Tax Distribution	-	720,400
Road & Bridge Equipment Replace.	32,999	-
E-911 Land Excise Tax	-	2,275
E-911 Cell Phone Excise Tax	-	2,274
Health Insurance	26,000	-
Hazardous Chemicals	-	14,345
Total Transfers	\$1,308,293	\$1,308,293

The county poor fund levies tax dollars that are used to support social service programs. Highway tax distribution, farm to market road, county road and general fund dollars were transferred to the County road and bridge fund to pay for highway projects. The remaining transfers into various funds were from the general fund to help subsidize revenue shortfalls.

NOTE 12: PENSION PLAN

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

Plan members were required to contribute 4% of their annual salary and the county is required to contribute 5.12% of the employee's salary that consists of 4.12% for employee retirement and 1% for retiree health benefits fund through June 30, 2011. Beginning July 1, 2011, plan members are required to contribute 4% of their annual covered salary. The county is required to contribute 5.26% of the employee's salary, which consists of 4.12% for employee retirement and 1.14% for the retiree health benefits fund. The county has implemented a salary reduction agreement with plan members and is currently contributing the employee share. The contributions requirements of the plan members and the county are established and may be amended by the State legislature. The county's contributions to NDPERS for the years ended December 31, 2011, 2010 and 2009 were \$142,916, \$141,882, and \$141,482, respectively, equal to the required contributions for the year. The health district's contributions to NDPERS for the years ended December 31, 2011, 2010 and 2009 were \$10,311, \$9,104, and \$9,483, respectively, equal to the required contributions for the year. The job development authority's contributions to NDPERS for the years ended December 31, 2011, 2010 and 2009 were \$8,797, \$8,324, and \$9,434, respectively, equal to the required contributions for the year.

NOTE 13: 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.

CAVALIER COUNTY

Notes to the Financial Statements - Continued

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Cavalier County pays an annual premium to NDRIF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability and automobile and \$2,100,091 for public assets (mobile equipment and portable property).

Cavalier County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Cavalier County pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides Cavalier County with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage. The Water Resource District has \$143,000 of blanket fidelity bond coverage and the Health District has \$81,000 of blanket fidelity bond coverage.

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

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

NOTE 14: 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, 2009 is as follows:

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

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

NOTE 15: 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

CAVALIER COUNTY

Notes to the Financial Statements - Continued

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, 2011, there are two series of Community Development Block Grant Loans outstanding, with an aggregate principal amount payable of \$121,279.

NOTE 16: PRIOR PERIOD ADJUSTMENTS

A prior period adjustment was done to remove three special revenue funds (county library, historical society, and county ambulance) beginning fund balances and net assets equity to agency funds. The special revenue funds were reclassified due to not meeting the definition of special revenue funds under provisions of GASB Statement 54. The adjustments are noted below:

Governmental Activities (County):	Amounts
Net Assets Equity Balance - December 31, 2011	\$5,688,830
Adjustments to restate the December 31, 2011 beginning net assets equity due to the following:	
Fund Equity Reclassifications	(7,863)
Net Assets Equity - January 1, 2011	\$5,680,967

Governmental Funds (County):	Amounts
Fund Balances - December 31, 2011	\$3,456,559
Adjustments to restate the December 31, 2011 beginning net assets equity due to the following:	
Fund Balance Reclassifications	(7,863)
Fund Balances - January 1, 2011	\$3,448,696

NOTE 17: SUBSEQUENT EVENTSWater Resource District:

The Cavalier County Water Resource District approved a motion to enter into a line of credit of up to \$550,000 with Farmers and Merchants Bank at the October 27, 2011 meeting. At the January 5, 2012 meeting, a motion was made to request a \$471,458.28 advance on the line of credit for Mulberry Phase III project costs.

NOTE 18: BUDGET TO ACTUAL RECONCILIATION

The county entered into a lease for the purchase of two John Deere motor graders. The lease proceeds and corresponding highway 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 county 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:

Road & Bridge Fund:	Combined Statement	Adjustment	Budget to Actual
Expenditures	\$1,517,841	\$(321,086)	\$1,196,755
Lease Proceeds	321,086	(321,086)	-

CAVALIER COUNTY
Langdon, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 876,500	\$ 1,616,500	\$ 806,274	\$ (810,226)
Intergovernmental	519,000	519,000	681,068	162,068
Charges for services	219,840	219,840	207,905	(11,935)
Licenses, permits and fees	1,910	1,910	1,960	50
Interest income	62,000	62,000	55,805	(6,195)
Miscellaneous	53,000	53,000	60,585	7,585
Total Revenues	\$ 1,732,250	\$ 2,472,250	\$ 1,813,597	\$ (658,653)
<u>Expenditures:</u>				
Current:				
General government	\$ 1,132,894	\$ 1,132,894	\$ 837,973	\$ 294,921
Public safety	521,059	521,059	592,152	(71,093)
Health and welfare	26,460	26,460	26,460	-
Debt Service:				
Principal	34,000	34,000	20,341	13,659
Interest & Service Charges	-	-	4,332	(4,332)
Total Expenditures	\$ 1,714,413	\$ 1,714,413	\$ 1,481,258	\$ 233,155
Excess (Deficiency) of Revenues Over Expenditures	\$ 17,837	\$ 757,837	\$ 332,339	\$ (425,498)
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ -	\$ -	\$ 18,894	\$ 18,894
Net Change in Fund Balances	\$ 17,837	\$ 757,837	\$ 351,233	\$ (406,604)
Fund Balances - January 1	\$ 444,997	\$ 444,997	\$ 444,997	\$ -
Fund Balances - December 31	\$ 462,834	\$ 1,202,834	\$ 796,230	\$ (406,604)

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

CAVALIER COUNTY
Langdon, North Dakota

BUDGETARY COMPARISON SCHEDULE
FARM TO MARKET ROAD FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 357,000	\$ 357,000	\$ 377,566	\$ 20,566
Charges for services	20,000	33,000	359	(32,641)
Miscellaneous	-	-	12,066	12,066
Total Revenues	\$ 377,000	\$ 390,000	\$ 389,991	\$ (9)
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 417,386	\$ 439,486	\$ 501,973	\$ (62,487)
Excess (Deficiency) of Revenues Over Expenditures	\$ (40,386)	\$ (49,486)	\$ (111,982)	\$ (62,496)
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ -	\$ -	\$ 77,400	\$ 77,400
Net Change in Fund Balances	\$ (40,386)	\$ (49,486)	\$ (34,582)	\$ 14,904
Fund Balances - January 1	\$ (27,887)	\$ (27,887)	\$ (27,887)	\$ -
Fund Balances - December 31	\$ (68,273)	\$ (77,373)	\$ (62,469)	\$ 14,904

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

CAVALIER COUNTY
Langdon, North Dakota

BUDGETARY COMPARISON SCHEDULE
COUNTY ROAD FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 122,500	\$ 130,750	\$ 130,705	\$ (45)
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 85,000	\$ 85,000	\$ 7,339	\$ 77,661
Excess (Deficiency) of Revenues Over Expenditures	\$ 37,500	\$ 45,750	\$ 123,366	\$ 77,616
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ -	\$ -	\$ (34,000)	\$ (34,000)
Net Change in Fund Balances	\$ 37,500	\$ 45,750	\$ 89,366	\$ 43,616
Fund Balances - January 1	\$ 233,833	\$ 233,833	\$ 233,833	\$ -
Fund Balances - December 31	\$ 271,333	\$ 279,583	\$ 323,199	\$ 43,616

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

CAVALIER COUNTY
Langdon, North Dakota

BUDGETARY COMPARISON SCHEDULE
COUNTY ROAD AND BRIDGE FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 203,500	\$ 203,500	\$ 206,217	\$ 2,717
Charges for services	425,000	425,000	384,144	(40,856)
Miscellaneous	2,800	39,800	126	(39,674)
Total Revenues	\$ 631,300	\$ 668,300	\$ 590,487	\$ (77,813)
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 1,269,846	\$ 1,269,846	\$ 1,126,755	\$ 143,091
Debt Service:				
Principal	61,398	61,398	61,398	-
Interest	8,602	8,602	8,602	-
Total Expenditures	\$ 1,339,846	\$ 1,339,846	\$ 1,196,755	\$ 143,091
Excess (Deficiency) of Revenues Over Expenditures	\$ (708,546)	\$ (671,546)	\$ (606,268)	\$ 65,278
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ -	\$ -	\$ 677,000	\$ 677,000
Transfers out	-	-	(32,999)	(32,999)
Total Other Financing Sources and Uses	\$ -	\$ -	\$ 644,001	\$ 644,001
Net Change in Fund Balances	\$ (708,546)	\$ (671,546)	\$ 37,733	\$ 709,279
Fund Balances - January 1	\$ (52,567)	\$ (52,567)	\$ (52,567)	\$ -
Prior Period Adjustment	3,882	3,882	3,882	-
Fund Balances - Jan. 1, As Restated	\$ (48,685)	\$ (48,685)	\$ (48,685)	\$ -
Fund Balances - December 31	\$ (757,231)	\$ (720,231)	\$ (10,952)	\$ 709,279

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

CAVALIER COUNTY
Langdon, North Dakota

BUDGETARY COMPARISON SCHEDULE
HIGHWAY TAX DISTRIBUTION
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 530,000	\$ 839,000	\$ 845,104	\$ 6,104
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ -	\$ -	\$ -	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ 530,000	\$ 839,000	\$ 845,104	\$ 6,104
<u>Other Financing Sources (Uses):</u>				
Transfers out	\$ -	\$ -	\$ (720,400)	\$ (720,400)
Net Change in Fund Balances	\$ 530,000	\$ 839,000	\$ 124,704	\$ (714,296)
Fund Balances - January 1	\$ 131,540	\$ 131,540	\$ 131,540	\$ -
Fund Balances - December 31	\$ 661,540	\$ 970,540	\$ 256,244	\$ (714,296)

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

CAVALIER COUNTY
Langdon, North Dakota

BUDGETARY COMPARISON SCHEDULE
2009 FEMA ROAD FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)
<u>Expenditures:</u>				
Current:				
FEMA road repair	\$ -	\$ 621,000	\$ 620,544	\$ 456
Excess (Deficiency) of Revenues Over Expenditures	\$ 10,000	\$ (611,000)	\$ (620,544)	\$ (9,544)
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balances	\$ 10,000	\$ (611,000)	\$ (620,544)	\$ (9,544)
Fund Balances - January 1	\$ 712,364	\$ 712,364	\$ 712,364	\$ -
Prior Period Adjustment	(3,882)	(3,882)	(3,882)	-
Fund Balances - Jan. 1, As Restated	\$ 708,482	\$ 708,482	\$ 708,482	\$ -
Fund Balances - December 31	\$ 718,482	\$ 97,482	\$ 87,938	\$ (9,544)

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

CAVALIER COUNTY
Langdon, North Dakota

BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 186,950	\$ 213,950	\$ 201,357	\$ (12,593)
Charges for services	135	135	140	5
Fees	150	150	240	90
Miscellaneous	400	400	3,252	2,852
Total Revenues	\$ 187,635	\$ 214,635	\$ 204,989	\$ (9,646)
<u>Expenditures:</u>				
Current:				
Health and welfare	\$ 774,987	\$ 774,987	\$ 686,538	\$ 88,449
Debt Service:				
Principal	-	-	3,664	(3,664)
Interest	-	-	565	(565)
Total Expenditures	\$ 774,987	\$ 774,987	\$ 690,767	\$ 84,220
Excess (Deficiency) of Revenues Over Expenditures	\$ (587,352)	\$ (560,352)	\$ (485,778)	\$ 74,574
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ -	\$ -	\$ 476,000	\$ 476,000
Net Change in Fund Balances	\$ (587,352)	\$ (560,352)	\$ (9,778)	\$ 550,574
Fund Balances - January 1	\$ 10,123	\$ 10,123	\$ 10,123	\$ -
Fund Balances - December 31	\$ (577,229)	\$ (550,229)	\$ 345	\$ 550,574

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

CAVALIER COUNTY
Langdon, North Dakota

BUDGETARY COMPARISON SCHEDULE
COUNTY POOR FUND
For the Year Ended December 31, 20114

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 560,000	\$ 581,000	\$ 580,859	\$ (141)
<u>Expenditures:</u>				
Current:				
Health and welfare	\$ 38,000	\$ 38,000	\$ 27,555	\$ 10,445
Excess (Deficiency) of Revenues Over Expenditures	\$ 522,000	\$ 543,000	\$ 553,304	\$ 10,304
<u>Other Financing Sources (Uses):</u>				
Transfers out	\$ -	\$ -	\$ (476,000)	\$ (476,000)
Net Change in Fund Balances	\$ 522,000	\$ 543,000	\$ 77,304	\$ (465,696)
Fund Balances - January 1	\$ 231,257	\$ 231,257	\$ 231,257	\$ -
Fund Balances - December 31	\$ 753,257	\$ 774,257	\$ 308,561	\$ (465,696)

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

CAVALIER COUNTY
Langdon, North Dakota

BUDGETARY COMPARISON SCHEDULE
OASIS SOCIAL SECURITY FUND
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 458,500	\$ 467,600	\$ 467,597	\$ (3)
<u>Expenditures:</u>				
Current:				
General Government	\$ 381,631	\$ 381,631	\$ 371,881	\$ 9,750
Excess (Deficiency) of Revenues Over Expenditures	\$ 76,869	\$ 85,969	\$ 95,716	\$ 9,747
<u>Other Financing Sources (Uses):</u>				
Transfers out	\$ -	\$ -	\$ (26,000)	\$ (26,000)
Net Change in Fund Balances	\$ 76,869	\$ 85,969	\$ 69,716	\$ (16,253)
Fund Balances - January 1	\$ 155,927	\$ 155,927	\$ 155,927	\$ -
Fund Balances - December 31	\$ 232,796	\$ 241,896	\$ 225,643	\$ (16,253)

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

CAVALIER COUNTY
Langdon, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2011

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: EXPENDITURES OVER BUDGETED AMOUNTS

Expenditures exceeded the budgeted amounts in the following funds in 2011:

Overspent Funds:	Budget	Actual	Overspent
Farm to Market Road	\$439,486	\$501,973	\$(62,487)
Document Preservation	-	4,017	(4,017)

CAVALIER COUNTY
Langdon, North Dakota

SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2011

	Balance 1-1-11	Receipts	Transfers In	Other Fin. Sources	Transfers Out	Disbursements	Balance 12-31-11
Primary Government:							
Major Funds:							
General Fund	\$ 391,822.56	\$ 1,793,550.87	\$ 18,894.41	\$ -	\$ -	\$ 1,509,187.95	\$ 695,079.89
State Revenue Sharing Invested	185,469.07	-	-	-	-	-	185,469.07
Total General Fund	\$ 577,291.63	\$ 1,793,550.87	\$ 18,894.41	\$ -	\$ -	\$ 1,509,187.95	\$ 880,548.96
Special Revenue Funds (Major):							
Farm to Market Roads	\$ 74,730.90	\$ 408,121.25	\$ 77,400.00	\$ -	\$ -	\$ 439,492.16	\$ 120,759.99
County Road	269,358.56	136,975.77	-	-	34,000.00	7,343.27	364,991.06
County Road and Bridge	28,982.81	769,786.33	677,000.00	-	32,999.00	1,375,560.52	67,209.62
Highway Tax Distribution	66,513.44	838,855.08	-	-	720,400.00	-	184,968.52
2009 FEMA Road	708,481.42	-	-	-	-	620,543.73	87,937.69
Social Services	440.80	214,671.57	476,000.00	-	-	690,766.85	345.52
County Poor	389,128.14	608,752.60	-	-	476,000.00	27,577.56	494,303.18
Capital Projects	8,000.00	5,166.59	-	787,200.00	-	253,433.94	546,932.65
OASIS and Social Security	283,015.99	507,695.36	-	-	26,000.00	371,898.84	392,812.51
Total Major Special Revenue Funds	\$ 1,828,652.06	\$ 3,490,024.55	\$ 1,230,400.00	\$ 787,200.00	\$ 1,289,399.00	\$ 3,786,616.87	\$ 2,260,260.74
Total Major Funds	\$ 2,405,943.69	\$ 5,283,575.42	\$ 1,249,294.41	\$ 787,200.00	\$ 1,289,399.00	\$ 5,295,804.82	\$ 3,140,809.70
Non-Major Funds:							
Special Revenue Funds:							
Road and Bridge Excess Levy	\$ 169,712.08	\$ 304,378.90	\$ -	\$ -	\$ -	\$ 11.04	\$ 474,079.94
Road/Bridge Equipment Replacement	16,832.50	-	32,999.00	-	-	-	49,831.50
2011 FEMA Road	-	141,782.79	-	-	-	-	141,782.79
2009 FEMA Project Mgmt. Costs	64,254.19	-	-	-	-	23,990.13	40,264.06
2011 FEMA Project Mgmt. Costs	-	3,945.72	-	-	-	-	3,945.72
Emergency Fund	8,764.27	7,580.82	-	-	-	0.28	16,344.81
Veteran's Service Officer	55,579.66	18,395.81	-	-	-	8,374.38	65,601.09
Health Insurance	17,602.61	152,192.08	26,000.00	-	-	148,180.56	47,614.13
County Agent	43,833.43	121,754.46	-	-	-	104,351.60	61,236.29
Weed Control	36,161.03	145,807.81	-	-	-	133,593.28	48,375.56
Insurance Reserve	249,921.03	97,152.49	-	-	-	207.43	346,866.09
E911 Land Line Excise Tax	176,446.00	27,197.38	-	-	2,274.54	-	201,368.84
E911 Cell Phone Excise Tax	138,086.58	35,306.22	-	-	2,274.54	7,928.39	163,189.87
Hazardous Chemicals (Emg. Mgr. Trust)	16,179.88	1,212.50	-	-	14,345.33	-	3,047.05
Document Preservation	2,065.30	6,649.15	-	-	-	4,016.75	4,697.70
Total Non-Major Special Revenue Funds	\$ 995,438.56	\$ 1,063,356.13	\$ 58,999.00	\$ -	\$ 18,894.41	\$ 430,653.84	\$ 1,668,245.44
Total Governmental Funds	\$ 3,401,382.25	\$ 6,346,931.55	\$ 1,308,293.41	\$ 787,200.00	\$ 1,308,293.41	\$ 5,726,458.66	\$ 4,809,055.14
Agency Funds:							
Sheriff Trust	\$ 383.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 383.00
Victims Assistance Fund	1,260.00	1,563.31	-	-	-	1,260.00	1,563.31
County Library (Agency)	26,670.83	100,220.00	-	-	-	95,892.91	30,997.92
Historical Society (Agency)	2,508.01	7,623.57	-	-	-	7,242.81	2,888.77
County Ambulance (Agency)	28,026.42	91,143.47	-	-	-	84,689.17	34,480.72
Estimated Taxes	4,409.21	35,360.24	-	-	-	39,769.45	-
Estimated Mobile Homes	2,271.18	2,064.25	-	-	-	2,271.18	2,064.25
State Medical Center Levy	7,986.09	30,418.56	-	-	-	28,977.21	9,427.44
Job Development Authority	31,914.29	121,684.84	-	-	-	116,002.21	37,596.92
Game and Fish (State)	7,547.00	26,589.00	-	-	-	18,537.00	15,599.00
Soil Conservation District	10,040.95	30,474.31	-	-	-	28,940.02	11,575.24
Domestic Violence Prevention	70.00	770.00	-	-	-	770.00	70.00
Senior Citizens	20,015.69	79,785.15	-	-	-	76,226.32	23,574.52
NDSU County Agent Trust	8,991.23	5,785.77	-	-	-	11,095.39	3,681.61
Cavalier County Health District	20,538.42	61,194.22	-	-	-	58,545.74	23,186.90
Cav. County Water Resource District	29,527.96	89,087.15	-	-	-	84,719.83	33,895.28
Total Drains	2,616.21	14,228.01	-	-	-	13,234.17	3,610.05
Drain Maintenance	71,100.17	218,605.98	-	-	-	171,620.38	118,085.77
Total Cities, Parks, Townships	391,927.59	1,819,890.04	-	-	-	1,734,756.48	477,061.15
Total School Districts	750,754.88	2,589,377.90	-	-	-	2,481,072.65	859,060.13
Total Rural Fire Protection Districts	30,957.41	90,026.45	-	-	-	85,499.55	35,484.31
Total Agency Funds	\$ 1,449,516.54	\$ 5,415,892.22	\$ -	\$ -	\$ -	\$ 5,141,122.47	\$ 1,724,286.29
Total Primary Government	\$ 4,850,898.79	\$ 11,762,823.77	\$ 1,308,293.41	\$ 787,200.00	\$ 1,308,293.41	\$ 10,867,581.13	\$ 6,533,341.43

CAVALIER COUNTY
Langdon, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	2011 Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>		
<u>Passed through State Department of Human Services:</u>		
Maternal and Child Health Services Block Grant to the States	93.994	\$ 654
Children's Justice Grants to States	93.643	453
Promoting Safe and Stable Families	93.556	5,629
Children's Health Insurance Program	93.767	70
Foster Care Title IV-E (Recovery)	93.658	29,834
Adoption Assistance	93.659	361
Child Abuse and Neglect State Grant	93.669	1,401
Child Welfare Services-State Grants	93.645	75
Temporary Assistance for Needy Families	93.558	53,385
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	<u>1,630</u>
Total U.S. Department of Health and Human Services		<u>\$ 93,491</u>
<u>U.S. DEPARTMENT OF ENERGY:</u>		
<u>Passed through the State Department of Commerce:</u>		
Community Development Block Grants/Entitlement Grants	14.228	<u>\$ 118,174</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>		
<u>Passed through the State Department of Transportation:</u>		
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	\$ 8,000
State and Community Highway Safety	20.600	<u>1,500</u>
Total U.S. Department of Transportation		<u>\$ 9,500</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>		
<u>Passed through State Division of Emergency Services:</u>		
Homeland Security Grant Program	97.067	\$ 75,125
Emergency Preparedness Demonstration Program	97.001	36,603
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	** <u>547,537</u>
Total U.S. Department of Homeland Security		<u>\$ 659,265</u>
<u>U.S. DEPARTMENT OF COMMERCE:</u>		
<u>Passed through State Department of Emergency Services:</u>		
Public Safety Interoperable Communications Grant Program	11.555	<u>\$ 15,175</u>
Total Expenditures of Federal Awards		<u>\$ 895,605</u>

** - Major program

NOTE 1: BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Cavalier County under programs of the federal government for the year ended December 31, 2011. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Cavalier County, it is not intended to and does not present the financial position or changes in net assets of Cavalier County.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribe Governments*, wherein certain types of expenditures are allowable or are limited as to reimbursement.

STATE AUDITOR

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MANAGER – DAVID MIX
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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

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*

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, as of and for the year ended December 31, 2011, which collectively comprise Cavalier County's basic financial statements and have issued our report thereon dated January 23, 2013. 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.

Internal Control Over Financial Reporting

Management of Cavalier County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Cavalier County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cavalier County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cavalier County's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified one deficiency in internal control over financial reporting, described in the accompanying *Schedule of Findings and Questioned Costs* that we consider to be a significant deficiency in internal control over financial reporting [2011-01]. 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 charges with governance.

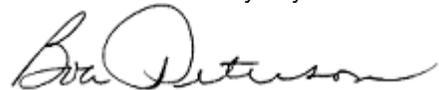
Compliance and Other Matters

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*.

We noted certain matters that we reported to management of Cavalier County in a separate letter dated January 23, 2013.

Cavalier County's response to the finding identified in our audit is described in the accompanying *schedule of findings and questioned costs*. We did not audit Cavalier County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the board of county commissioners, others within the county, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Bob Peterson".

Robert R. Peterson
State Auditor

January 23, 2013

STATE AUDITOR

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Independent Auditor's Report

Board of County Commissioners
Cavalier County
Langdon, North Dakota

Compliance

We have audited Cavalier County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Cavalier County's major federal program for the year ended December 31, 2011. Cavalier County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of Cavalier County's management. Our responsibility is to express an opinion on Cavalier County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cavalier County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Cavalier County's compliance with those requirements.

In our opinion, Cavalier County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2011.

Internal Control Over Compliance

Management of Cavalier County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Cavalier County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cavalier County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the board of county commissioners, others within the county, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Bob Peterson".

Robert R. Peterson
State Auditor

January 23, 2013

CAVALIER COUNTY

Schedule of Findings and Questioned Costs - Continued

Section II - Financial Statement Findings

2011-01 – LACK OF SEGREGATION OF DUTIES – COMPONENT UNITS – HEALTH, JDA & WRD

Condition:

The Cavalier County Water Resource District, the Job Development Authority and Health District 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.

Effect:

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

Cause:

Due to the client's size, complexity, organizational structure and the economic realities that the component units face, it is presently not economically feasible to have more than one person responsible for the accounting functions.

Criteria:

Proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of each component unit.

Recommendation:

Due to the size, complexity and the economic realities of the Water Resource District, 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.

Views of Responsible Officials / Planned Corrective Actions:

Health District Response:

While we agree with the recommendation, due to the size and nature of the Health District, it is not feasible for us to obtain proper segregation of duties; however, expenditures will be reviewed in detail and approved by the governing board.

Job Development Authority Response:

While we agree with the recommendation, due to the size and nature of the JDA, it is not feasible for us to obtain proper segregation of duties; however, expenditures will be reviewed in detail and approved by the governing board.

Water Resource District Response:

While we agree with the recommendation, due to the size and nature of WRD, it is not feasible for us to obtain proper segregation of duties; however, expenditures will be reviewed in detail and approved by the governing board.

Section III - Federal Award Findings and Questioned Costs

No matters reported.