

**OFFICE OF
STATE AUDITOR**

AUDIT REPORT

**CAVALIER COUNTY
LANGDON, NORTH DAKOTA**

FOR THE YEAR ENDED DECEMBER 31, 2012



CAVALIER COUNTY
Langdon, North Dakota

TABLE OF CONTENTS
For the Year Ended December 31, 2012

	<u>Page(s)</u>
County Officials	1
Independent Auditor's Report	2 - 3
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	4
Statement of Activities	5
Balance Sheet - Governmental Funds	6
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	7
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	8
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	9
Combining Statement of Net Position - Aggregate Discretely Presented Component Units	10
Combining Statement of Activities - Aggregate Discretely Presented Component Units	11
Statement of Fiduciary Assets and Liabilities	12
Notes to the Financial Statements	13 - 28
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule	
- General Fund	29
- Farm to Market Road Fund	30
- County Road & Bridge Fund	31
- County Poor Fund	32
- Social Security/OASIS Fund	33
- Insurance Fund	34
- Capital Projects Fund	35
Notes to the Required Supplementary Information	36

CAVALIER COUNTY

Table of Contents - Continued

	<u>Page(s)</u>
SUPPLEMENTARY INFORMATION	
Schedule of Fund Activity	37
Schedule of Expenditures of Federal Awards	38
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	39 - 40
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	41 - 42
Schedule of Findings and Questioned Costs	43 - 44

CAVALIER COUNTY
Langdon, North Dakota

COUNTY OFFICIALS

December 31, 2012

Elsie Magnus
Richard Flanders
Harold Nowatzki
Tom Borgen
Richard Ring

Dawn Roppel
Cynthia Stremick
David Zeis
Vicki Kubat
R.Scott Stewart
Anita Beauchamp
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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cavalier County, Langdon, North Dakota, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cavalier County, Langdon, North Dakota, as of December 31, 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 22 to the financial statements, the financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the *management's discussion and analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information* on pages 29-35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2014 on our consideration of Cavalier County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cavalier County's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
January 24, 2014

CAVALIER COUNTY
Langdon, North Dakota

STATEMENT OF NET POSITION
December 31, 2012

	Primary Government	
	Governmental Activities	Component Units
<u>ASSETS</u>		
Cash, Cash Equivalents and Investments	\$ 3,614,923	\$ 550,663
Accounts Receivable	17,492	20,000
Intergovernmental Receivable	419,188	57,994
Road Accounts Receivable	55,208	-
Taxes Receivable	50,282	3,891
City Loans Receivable	-	271,970
Capital Assets (not being depreciated):		
Land	10,000	-
Capital Assets (net of accumulated depreciation):		
Buildings	220,000	-
Building Improvements	157,927	-
Vehicles & Equipment	1,190,315	47,500
Infrastructure	2,010,796	2,229,707
Total Capital Assets	<u>\$ 3,589,038</u>	<u>\$ 2,277,207</u>
Total Assets	<u>\$ 7,746,131</u>	<u>\$ 3,181,725</u>
<u>LIABILITIES:</u>		
Accounts Payable	\$ 140,794	\$ -
Grants Received in Advance	189,578	-
Salary and Benefits Payable	-	2,779
City Loans Payable	-	171,543
Retainage Payable	52,764	-
Interest Payable	13,940	-
Long-Term Liabilities:		
Due Within One Year:		
Bonds Payable	160,000	-
Loans Payable	22,015	113,732
Leases Payable	110,086	-
Compensated Absences Payable	22,952	3,114
Due After One Year:		
Bonds Payable	325,000	-
Loans Payable	54,883	77,692
Leases Payable	361,623	-
Compensated Absences Payable	206,571	28,016
Total Liabilities	<u>\$ 1,660,206</u>	<u>\$ 396,876</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>		
Taxes Received in Advance	<u>\$ 1,080,424</u>	<u>\$ -</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	\$ 2,555,431	\$ -
Restricted for:		
Public Safety	293,485	-
Health & Welfare	425,525	-
Conservation of Natural Resources	57,773	-
Emergencies	21,401	-
Other Purposes	777,332	-
Unrestricted	<u>874,554</u>	<u>2,784,849</u>
Total Net Position	<u>\$ 5,005,501</u>	<u>\$ 2,784,849</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, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Fees, Fines, Forfeits & Charges for Services	Operating Grants and Contributions	Primary Government	
				Governmental Activities	Component Units
Primary Government:					
General Government	\$ 1,523,119	\$ 58,230	\$ -	\$ (1,464,889)	
Public Safety	719,049	233,434	195,726	(289,889)	
Highways and Bridges	5,292,603	356,853	1,794,150	(3,141,600)	
Health and Welfare	752,430	38,160	184,181	(530,089)	
Conservation of Natural Resources	258,492	-	56,720	(201,772)	
Interest	31,260	-	-	(31,260)	
Total Governmental Activities	\$ 8,576,953	\$ 686,677	\$ 2,230,777	\$ (5,659,499)	
Component Units:					
Water Resource District	\$ 851,499	\$ 322,062	\$ 259,338		\$ (270,099)
Health District	292,208	38,553	214,034		(39,621)
Job Development Authority	262,420	123,468	32,667		(106,285)
Total Component Units	\$ 1,406,127	\$ 484,083	\$ 506,039		\$ (416,005)
General Revenues:					
Taxes:					
Property taxes; levied for general purposes				\$ 878,831	\$ 260,727
Property taxes; levied for special purposes				2,572,473	9,002
Sales taxes				-	19,244
Grants and contributions not restricted to specific programs				877,481	-
Unrestricted investment earnings				25,590	2,854
Miscellaneous revenue				59,170	69,988
Total General Revenues				\$ 4,413,545	\$ 361,815
Change in Net Position				\$ (1,245,954)	\$ (54,190)
Net Position - January 1				\$ 6,554,339	\$ 2,839,039
Prior Period Adjustment				(302,884)	-
Net Position - January 1, as restated				\$ 6,251,455	\$ 2,839,039
Net Position - December 31				\$ 5,005,501	\$ 2,784,849

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

CAVALIER COUNTY
Langdon, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2012

	General	Farm to Market Road	County Road & Bridge	County Poor	Social Security & OASIS	Insurance Reserve	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS:									
Cash and Cash Equivalents	\$ 875,647	\$ 176,493	\$ -	\$ 559,387	\$ 505,113	\$ 438,112	\$ -	\$ 1,060,171	\$ 3,614,923
Accounts Receivable	17,492	-	-	-	-	-	-	-	17,492
Intergovernmental Receivable	335,488	-	-	-	-	-	-	83,700	419,188
Road Receivables	-	-	55,208	-	-	-	-	-	55,208
Taxes Receivable	11,882	5,674	3,099	8,729	7,586	1,397	-	11,915	50,282
Total Assets	\$ 1,240,509	\$ 182,167	\$ 58,307	\$ 568,116	\$ 512,699	\$ 439,509	\$ -	\$ 1,155,786	\$ 4,157,093
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
Liabilities:									
Accounts Payable	\$ -	\$ 132,962	\$ 4,082	\$ -	\$ -	\$ -	\$ -	\$ 3,750	\$ 140,794
Grants Received in Advance	-	-	-	-	-	-	-	189,578	189,578
Total Liabilities	\$ -	\$ 132,962	\$ 4,082	\$ -	\$ -	\$ -	\$ -	\$ 193,328	\$ 330,372
Deferred Inflows of Resources:									
Road Receivables	\$ -	\$ -	\$ 55,208	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,208
Taxes Received in Advance	238,491	134,808	73,627	174,628	157,206	28,000	-	273,664	1,080,424
Taxes Receivable	11,882	5,674	3,099	8,729	7,586	1,397	-	11,915	50,282
Total Deferred Inflows of Resources	\$ 250,373	\$ 140,482	\$ 131,934	\$ 183,357	\$ 164,792	\$ 29,397	\$ -	\$ 285,579	\$ 1,185,914
Total Liabilities and Deferred Inflows of Resources	\$ 250,373	\$ 273,444	\$ 136,016	\$ 183,357	\$ 164,792	\$ 29,397	\$ -	\$ 478,907	\$ 1,516,286
Fund Balances:									
Restricted for:									
Other Purposes	\$ -	\$ -	\$ -	\$ -	\$ 347,907	\$ 410,112	\$ -	\$ 10,329	\$ 768,348
Public Safety	-	-	-	-	-	-	-	364,042	364,042
Highways and Bridges	-	-	-	-	-	-	-	148,422	148,422
Health and Welfare	-	-	-	384,759	-	-	-	76,023	460,782
Conservation of Natural Resources	-	-	-	-	-	-	-	56,771	56,771
Emergency	-	-	-	-	-	-	-	21,292	21,292
Unassigned:	990,136	(91,277)	(77,709)	-	-	-	-	-	821,150
Total Fund Balances	\$ 990,136	\$ (91,277)	\$ (77,709)	\$ 384,759	\$ 347,907	\$ 410,112	\$ -	\$ 676,879	\$ 2,640,807
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,240,509	\$ 182,167	\$ 58,307	\$ 568,116	\$ 512,699	\$ 439,509	\$ -	\$ 1,155,786	\$ 4,157,093

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

CAVALIER COUNTY
Langdon, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2012

Total *Fund Balances* of Governmental Funds \$ 2,640,807

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

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

Cost of Capital Assets	\$ 5,631,909	
Less Accumulated Depreciation	<u>(2,042,871)</u>	
Net Capital Assets		3,589,038

Property taxes and road receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources in the funds.

Property Taxes Receivable	\$ 50,282	
Road Department Accounts Receivable	<u>55,208</u>	105,490

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. All liabilities-both current and long-term- are reported in the statement of net position. Balances at December 31, 2012 are:

Bonds Payable	\$ (485,000)	
Loan Payable	(76,898)	
Leases Payable	(471,709)	
Interest Payable	(13,940)	
Retainage Payable	(52,764)	
Compensated Absences Payable	<u>(229,523)</u>	
Total Long-Term Liabilities		<u>(1,329,834)</u>

Total Net Position of Governmental Activities		<u>\$ 5,005,501</u>
---	--	---------------------

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, 2012

	General	Farm to Market Road	County Road & Bridge	County Poor	Social Security & OASIS	Insurance Reserve	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:									
Taxes	\$ 879,085	\$ 377,804	\$ 206,341	\$ 581,231	\$ 522,406	\$ 92,967	\$ -	\$ 792,062	\$ 3,451,896
Intergovernmental	1,494,224	-	-	-	-	-	480,716	1,133,318	3,108,258
Charges for Services	227,125	-	353,020	-	-	-	-	100,349	680,494
Licenses, Permits and Fees	2,350	-	-	-	-	-	-	-	2,350
Interest Income	22,642	-	-	-	-	-	2,948	-	25,590
Miscellaneous	35,784	8,294	2,027	-	-	-	-	13,065	59,170
Total Revenues	\$ 2,661,210	\$ 386,098	\$ 561,388	\$ 581,231	\$ 522,406	\$ 92,967	\$ 483,664	\$ 2,038,794	\$ 7,327,758
Expenditures:									
Current:									
General Government	\$ 951,511	\$ -	\$ -	\$ -	\$ 400,142	\$ -	\$ -	\$ 143,956	\$ 1,495,609
Public Safety	651,802	-	-	-	-	-	-	64,014	715,816
Highways and Bridges	578,177	414,906	1,407,122	-	-	-	858,576	1,765,448	5,024,229
Health and Welfare	26,460	-	-	37,033	-	-	-	688,584	752,077
Conservation of Natural Resources	-	-	-	-	-	-	-	255,400	255,400
Debt Service:									
Principal	21,162	-	108,414	-	-	-	160,000	3,843	293,419
Interest & Fees	3,502	-	11,965	-	-	-	12,020	386	27,873
Total Expenditures	\$ 2,232,614	\$ 414,906	\$ 1,527,501	\$ 37,033	\$ 400,142	\$ -	\$ 1,030,596	\$ 2,921,631	\$ 8,564,423
Excess (Deficiency) of Revenues Over Expenditures	\$ 428,596	\$ (28,808)	\$ (966,113)	\$ 544,198	\$ 122,264	\$ 92,967	\$ (546,932)	\$ (882,837)	\$ (1,236,665)
Other Financing Sources (Uses):									
Transfers in	\$ 63,039	\$ -	\$ 927,312	\$ -	\$ -	\$ -	\$ -	\$ 489,017	\$ 1,479,368
Transfers out	(297,729)	-	(27,956)	(468,000)	-	-	-	(685,683)	(1,479,368)
Total Other Financing Sources and Uses	\$ (234,690)	\$ -	\$ 899,356	\$ (468,000)	\$ -	\$ -	\$ -	\$ (196,666)	\$ -
Net Change in Fund Balances	\$ 193,906	\$ (28,808)	\$ (66,757)	\$ 76,198	\$ 122,264	\$ 92,967	\$ (546,932)	\$ (1,079,503)	\$ (1,236,665)
Fund Balances - January 1	\$ 796,230	\$ (62,469)	\$ (10,952)	\$ 308,561	\$ 225,643	\$ 317,145	\$ 546,932	\$ 2,030,312	\$ 4,151,402
Prior Period Adjustment	-	-	-	-	-	-	-	(273,930)	(273,930)
Fund Balance - Jan. 1, as restated	\$ 796,230	\$ (62,469)	\$ (10,952)	\$ 308,561	\$ 225,643	\$ 317,145	\$ 546,932	\$ 1,756,382	\$ 3,877,472
Fund Balances - December 31	\$ 990,136	\$ (91,277)	\$ (77,709)	\$ 384,759	\$ 347,907	\$ 410,112	\$ -	\$ 676,879	\$ 2,640,807

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

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, 2012

Net Change in *Fund Balances* - Total Governmental Funds \$ (1,236,665)

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year.

Current Year Capital Outlay	\$ 21,600	
Current Year Depreciation Expense	<u>(266,343)</u>	(244,743)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. These are the amounts of debt repayments during the current year.

Repayment of Debt - Bonds	\$ 160,000	
Repayment of Debt - Loans	21,161	
Repayment of Debt - Leases	<u>112,258</u>	293,419

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

Net Change in Interest Payable	\$ (3,387)	
Net Change in Retainage Payable	(52,764)	
Net Change in Compensated Absences	<u>(5,055)</u>	(61,206)

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 Receivables	\$ (592)	
Net Change in Road Receivables	<u>3,833</u>	<u>3,241</u>

Change in Net Position of Governmental Activities \$ (1,245,954)

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

CAVALIER COUNTY
Langdon, North Dakota

COMBINING STATEMENT OF NET POSITION
AGGREGATE DISCRETELY PRESENTED COMPONENT UNITS
December 31, 2012

	Component Units			Totals
	Water Resource District	Health District	Job Development Authority	
ASSETS				
Cash, Cash Equivalents and Investments	\$ 287,934	\$ 176,878	\$ 85,851	\$ 550,663
Accounts Receivable	-	-	20,000	20,000
Intergovernmental Receivable	-	27,011	30,983	57,994
Taxes Receivable	1,274	874	1,743	3,891
Loans Receivable	-	-	271,970	271,970
Capital Assets (net of accumulated depreciation):				
Vehicles and Equipment	47,500	-	-	47,500
Infrastructure	2,229,707	-	-	2,229,707
Total Capital Assets	<u>\$ 2,277,207</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,277,207</u>
Total Assets	<u>\$ 2,566,415</u>	<u>\$ 204,763</u>	<u>\$ 410,547</u>	<u>\$ 3,181,725</u>
LIABILITIES:				
City Loans Payable	\$ -	\$ -	\$ 171,543	\$ 171,543
Salary and Benefits Payable	2,156	-	623	2,779
Long-Term Liabilities:				
Due Within One Year:				
Loans Payable	113,732	-	-	113,732
Compensated Absences Payable	-	2,250	864	3,114
Due After One Year:				
Loans Payable	77,692	-	-	77,692
Compensated Absences Payable	-	20,245	7,771	28,016
Total Liabilities	<u>\$ 193,580</u>	<u>\$ 22,495</u>	<u>\$ 180,801</u>	<u>\$ 396,876</u>
NET POSITION				
Unrestricted	<u>\$ 2,372,835</u>	<u>\$ 182,268</u>	<u>\$ 229,746</u>	<u>\$ 2,784,849</u>
Total Net Position	<u>\$ 2,372,835</u>	<u>\$ 182,268</u>	<u>\$ 229,746</u>	<u>\$ 2,784,849</u>

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

CAVALIER COUNTY
Langdon, North Dakota

COMBINING STATEMENT OF ACTIVITIES
AGGREGATE DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Totals
		Charges for Services	Operating Grants and Contributions	Component Units			
				Water Resource	Health District	Job Development Authority	
<u>Component Units:</u>							
Water Resource District	\$ 851,499	\$ 322,062	\$ 259,338	\$ (270,099)	\$ -	\$ -	\$ (270,099)
Health District	292,208	38,553	214,034	-	(39,621)	-	(39,621)
Job Development Authority	262,420	123,468	32,667	-	-	(106,285)	(106,285)
Total Component Units	\$ 1,406,127	\$ 484,083	\$ 506,039	\$ (270,099)	\$ (39,621)	\$ (106,285)	\$ (416,005)
<u>General Revenues:</u>							
<u>Taxes:</u>							
Taxes (general purposes)				\$ 85,887	\$ 58,710	\$ 116,130	\$ 260,727
Taxes (special purposes)				9,002	-	-	9,002
Sales taxes				-	-	19,244	19,244
Unrestricted investment and interest earnings				1,609	1,243	2	2,854
Miscellaneous revenue				-	4,544	65,444	69,988
Total General Revenues				\$ 96,498	\$ 64,497	\$ 200,820	\$ 361,815
Change in Net Position				\$ (173,601)	\$ 24,876	\$ 94,535	\$ (54,190)
Net Position - January 1				\$ 2,546,436	\$ 157,392	\$ 135,211	\$ 2,839,039
Net Position - December 31				\$ 2,372,835	\$ 182,268	\$ 229,746	\$ 2,784,849

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

CAVALIER COUNTY
Langdon, North Dakota

STATEMENT OF FIDUCIARY ASSETS & LIABILITIES
FIDUCIARY FUNDS
December 31, 2012

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$ 1,791,342</u>
<u>LIABILITIES</u>	
Due to Other Governments	<u>\$ 1,791,342</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, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

COMPONENT UNITS

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

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

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

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

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

CAVALIER COUNTY

Notes to the Financial Statements - Continued

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:

	2012
County Library	\$ 95,566
Senior Citizens	81,639
Historical Society	7,339
County Ambulance	87,827

B. Basis of Presentation

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

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

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

The county reports the following major governmental funds:

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

Farm to Market Road Fund. This fund accounts for repair and improvement of 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.

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

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

Insurance Reserve Fund. This fund accounts for payments of claims against the county which have been settled or compromised, judgments rendered against the county for injuries, or costs incurred in the defense of the county that are legally restricted from taxes levied.

CAVALIER COUNTY

Notes to the Financial Statements - Continued

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 position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

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

D. Cash, Cash Equivalents and Investments

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

The investments of the county during the year ended December 31, 2012 consist of certificates of deposit stated at fair value.

E. Capital Assets

PRIMARY GOVERNMENT:

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

CAVALIER COUNTY

Notes to the Financial Statements - Continued

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

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

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

F. Compensated Absences

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

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

G. Long-Term Obligations

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

CAVALIER COUNTY

Notes to the Financial Statements - Continued

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

H. Interfund Transactions

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

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

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

I. Fund Balances & Net Position

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

Fund Balance Spending Policy:

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

Major Special Revenue Fund Purposes & Revenue Sources:

Purposes and major revenue sources of the major special revenue funds (county road & bridge, farm to market road, county poor, oasis & social security, insurance reserve, and capital projects) 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

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.

TABLE CONTINUED ON NEXT PAGE...

CAVALIER COUNTY

Notes to the Financial Statements - Continued

CLASSIFICATION	DEFINITION	EXAMPLES
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the business manager.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance; (b) A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.	Available for any remaining general fund expenditure.

Cavalier County did not have any non-spendable balances, assigned fund balances, or committed balances reported in the balance sheet at December 31, 2012.

Restricted Fund Balances – consist of the following items at December 31, 2012:

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

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 2012 consist of an amount in the general fund (\$990,136) and amounts reported for negative fund balances in the farm to market road fund (\$91,277) and the county road and bridge fund (\$77,709).

Net Position:

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

The County implemented the provisions of GASB 63 'Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position' during the year ended December 31, 2012. Prior to GASB 63, equity in the statement of net assets was reported in the applicable categories of net assets. Under the provisions of GASB 63, the net assets statement was changed to the statement of net position, and net assets equity was changed to net position. GASB 63 didn't change how net position is calculated into the 3 primary categories as outlined in further detail below.

Net investment in capital assets is reported for capital assets less accumulated depreciation, and less any related debt to purchase/finance the construction of those capital assets. These assets are not available for future spending.

CAVALIER COUNTY

Notes to the Financial Statements - Continued

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

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

Unrestricted net position is primarily unrestricted amounts related to the general fund and negative equity for the highway function. The unrestricted net position is available to meet the district's ongoing obligations.

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

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

The board of county commissioners amended the county budgeted expenditures for 2012 as follows:

Fund	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
<u>Major Funds:</u>			
General Fund	\$1,578,592	\$ 578,177	\$2,156,769
County Road & Bridge Fund	1,437,662	98,980	1,536,642
Capital Projects Fund	-	1,030,596	1,030,596
<u>Special Revenue Funds:</u>			
County Road Fund	85,000	276,003	361,003
Highway Tax Fund	-	261,938	261,938
FEMA 2009 Fund	-	87,938	87,938
FEMA 2011 Fund	-	361,541	361,541
2011 FEMA Project Admin. Fund	-	1,922	1,922
2009 FEMA Mgmt Costs Fund	-	24,268	24,268
County Agent Fund	106,859	3,858	110,717
Weed Control Fund	89,979	52,724	142,703
E911 Land Line Tax Fund	-	47,635	47,635
E911 Cell Phone Tax Fund	-	16,381	16,381
Document Preservation	-	1,981	1,981

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.

CAVALIER COUNTY

Notes to the Financial Statements - Continued

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

At year ended December 31, 2012, the county's bank balances totaled \$5,268,477 and the carrying amount of deposits totaled \$5,402,331. Of the bank balances, \$1,958,409 was covered by Federal Depository Insurance. The remaining balances totaling \$3,310,068 were entirely collateralized with securities held by the pledging financial institution's agent in the government's name totaling \$11,407,201 and \$16,304 was held at the Bank of North Dakota (not requiring collateralization).

The Job Development Authority's bank balances totaling \$48,130 were covered entirely by Federal Depository Insurance. The carrying amount of deposits totaled \$85,851. The Water Resource District's bank balances totaling \$296,627 were entirely covered by Federal Depository Insurance. The carrying value of deposits totaled \$329,720. The Health Unit's bank balances totaling \$196,186 were entirely covered by Federal Depository Insurance. The carrying value of deposits totaled \$2,680.

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, 2012, the County held certificates of deposit in the amount of \$185,469; the Water Resource District held \$5,286; and the Health Unit held \$62,826 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: ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts due from a policing contract in the general fund with the City of Langdon not yet received.

NOTE 5: 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 6: ROAD RECEIVABLES

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

NOTE 7: TAXES RECEIVABLE

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

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

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

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

NOTE 8: LOANS RECEIVABLE

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

NOTE 9: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2012 for the primary government:

Governmental Activities:	Balance January 1	Adjustments	Increases	Decreases	Balance December 31
<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 & Equipment	1,997,121	239,860	21,600	84,500	2,174,081
Infrastructure	2,715,583	-	-	-	2,715,583
Total Capital Assets, Being Depreciated	\$5,444,950	\$239,860	\$ 21,600	\$84,500	\$5,621,910
<i>Less accumulated depreciation for:</i>					
Buildings	\$ 275,000	\$ -	\$ 5,000	\$ -	\$ 280,000
Building Improvements	65,029	-	9,290	-	74,319
Vehicles & Equipment	706,757	218,079	143,431	84,500	983,767
Infrastructure	596,163	-	108,623	-	704,786
Total Accumulated Depreciation	\$1,642,949	\$218,079	\$ 266,344	\$84,500	\$2,042,872
Total Capital Assets Being Depreciated, Net	\$3,802,001	\$ 21,781	\$(244,744)	\$ -	\$3,579,038
Governmental Activities-Capital Assets, Net	\$3,812,001	\$ 21,781	\$(244,744)	\$ -	\$3,589,038

CAVALIER COUNTY

Notes to the Financial Statements - Continued

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

Governmental Activities:	
General Government	\$ 20,490
Highway	227,046
Public Safety	9,951
Health & Wellness	5,857
Conservation of Natural Resources	3,000
Total Depreciation Expense - Governmental Activities	\$266,344

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, 2012:

Governmental Activities:	Balance January 1	Increases	Decreases	Balance December 31
<i>Capital assets, being depreciated:</i>				
Equipment	\$ 65,728	\$ 12,737	\$11,609	\$ 66,856
Infrastructure	2,917,119	11,283	-	2,928,402
Total Capital Assets, Being Depreciated	\$2,982,847	\$ 24,020	\$11,609	\$2,995,258
<i>Less accumulated depreciation for:</i>				
Equipment	\$ 13,048	\$ 10,952	\$ 4,644	\$ 19,356
Infrastructure	581,559	117,136	-	698,695
Total Accumulated Depreciation	\$ 594,607	\$ 128,088	\$ 4,644	\$ 718,051
Total Capital Assets Being Depreciated, Net	\$2,388,240	\$(104,068)	\$ 6,965	\$2,277,207
Governmental Activities-Capital Assets, Net	\$2,388,240	\$(104,068)	\$ 6,965	\$2,277,207

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

NOTE 10: ACCOUNTS PAYABLE

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

NOTE 11: LOANS PAYABLE

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

NOTE 12: GRANTS RECEIVED IN ADVANCE

Grants received in advance consist of funds received in the FEMA fund where the eligibility requirements have not been met at December 31, 2012.

NOTE 13: RETAINAGE PAYABLE

Retainage payable consists of a portion of the agreed upon contract price related to the new highway construction project deliberately withheld until the work is substantially completed.

NOTE 14: INTEREST PAYABLE

Interest payable consists of the portion of interest accrued on long-term debt outstanding at December 31, 2012.

CAVALIER COUNTY

Notes to the Financial Statements - Continued

NOTE 15: DEFERRED INFLOWS OF RESOURCES

Cavalier County early implemented provisions of GASB 65 “Items Previously Reported as Assets and Liabilities” during the year ended December 31, 2012. Prior to GASB 63, the offset to taxes receivable, taxes paid in advance, and road receivables were reported as a liability in the balance sheet, but is now reported as a deferred inflow of resources under the provisions of GASB 65.

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

NOTE 16: LONG-TERM DEBT

Changes in Long-Term Liabilities - During the year ended December 31, 2012, the following changes occurred in governmental activities long-term liabilities for Cavalier County:

Governmental Activities:	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Bonds Payable	\$ 645,000	\$ -	\$(160,000)	\$ 485,000	\$160,000
Loans Payable	98,059	-	(21,161)	76,898	22,015
Leases Payable	583,967	-	(112,258)	471,709	110,086
Compensated Absences *	224,468	5,055	-	229,523	22,952
Total Governmental Activities	\$1,551,494	\$5,055	\$(293,419)	\$1,263,130	\$315,053

* 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, 2012 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%. \$ 76,898

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%. 485,000

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%. 471,709

Total Long-Term Debt (excluding compensated absences) \$1,033,607

CAVALIER COUNTY

Notes to the Financial Statements - Continued

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

GOVERNMENTAL ACTIVITIES						
Year Ending December 31	Loans Payable		Bonds Payable		Leases Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$22,015	\$2,648	\$160,000	\$ 9,540	\$108,863	\$15,745
2014	22,903	1,761	160,000	6,380	108,434	11,945
2015	23,826	837	165,000	2,310	111,917	8,171
2016	8,154	67	-	-	46,104	4,275
2017	-	-	-	-	47,479	2,900
2018 - 2022	-	-	-	-	48,912	1,467
Total	\$76,898	\$5,313	\$485,000	\$18,230	\$471,709	\$44,503

DISCRETELY PRESENTED COMPONENT UNITS:

Cavalier County Water Resource District:

Changes in Long-Term Liabilities - During the year ended December 31, 2012, the following changes occurred in governmental long-term liabilities of the District:

Governmental Activities:	Balance 1-1-12	Increases	Decreases	Balance 12-31-12	Due Within One Year
Loans Payable	\$94,944	\$471,458	(\$374,980)	\$191,424	\$113,732

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. \$ 24,290

\$550,000 line of credit from Farmers Merchants State Bank for the Mulberry Creek Project; with interest at 3.250% until paid in full. 167,134

Total Loans Payable \$191,424

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

Year Ending December 31	Loans Payable	
	Principal	Interest
2013	\$119,279	\$6,221
2014	71,657	3,500
2015	488	62
Total	\$191,424	\$9,784

Job Development Authority:

Changes in Long-Term Liabilities - During the year ended December 31, 2012, the following changes occurred in governmental long-term liabilities of the Authority:

Governmental Activities:	Balance 1-1-12	Increases	Decreases	Balance 12-31-12	Due Within One Year
Compensated Absences *	\$6,448	\$2,187	\$ -	\$8,635	\$864

* 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

Cavalier County Health Unit:

Changes in Long-Term Liabilities - During the year ended December 31, 2012, the following changes occurred in governmental long-term liabilities of the Unit:

Governmental Activities:	Balance 1-1-12	Increases	Decreases	Balance 12-31-12	Due Within One Year
Compensated Absences *	\$18,716	\$3,779	\$ -	\$22,495	\$2,250

* 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.

NOTE 17: TRANSFERS

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2012:

	Transfers In	Transfers Out
<u>Major Funds:</u>		
General Fund	\$ 63,039	\$ 297,728
County Road and Bridge	927,312	27,956
County Poor	-	468,000
<u>Special Revenue Funds:</u>		
County Road	-	92,976
Highway Tax Distribution	-	589,217
Road/Bridge Equipment Replacement	20,715	-
2011 FEMA Road	-	302
2011 FEMA Project Mgmt Costs	302	-
Social Services	468,000	-
E911 Land Line Excise Tax	-	1,958
E911 Cell Phone Excise Tax	-	1,231
Total Transfers	\$1,479,368	\$1,479,368

NOTE 18: PENSION PLAN

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

During January 1, 2012 through December 31, 2012, plan members were required to contribute 5% of their annual covered salary. The county has implemented a salary reduction agreement with plan members and is currently contributing the employee share. The county was required to contribute 6.26% of the employee's salary, which consists of 5.12% for employee retirement and 1.14% for the retiree health benefits fund. The contribution requirements of plan members and the county are established and may be amended by the State legislature. The public health district and job development authority as adopted the county's retirement benefit policy.

The County's required contributions to NDPERS for the years ending December 31, 2012, 2011, and 2010 were \$96,758, \$81,182, and \$80,594, respectively, and actual contributions to NDPERS for the years ending December 31, 2012, 2011, and 2010 were \$174,040, \$142,916, and \$141,882, respectively.

CAVALIER COUNTY

Notes to the Financial Statements - Continued

The health district's required contributions to NDPERS for the years ending December 31, 2012, 2011, and 2010 were \$7,064, \$5,827, and \$5,171, respectively, and actual contributions to NDPERS for the years ending December 31, 2012, 2011, and 2010 were \$12,706, \$10,311, and \$9,104, respectively.

The job development authority's required contributions to NDPERS for the years ending December 31, 2012, 2011, and 2010 were \$7,446, \$4,991, and \$4,728, respectively, and actual contributions to NDPERS for the years ending December 31, 2012, 2011, and 2010 were \$13,393, \$8,787, and \$8,324, respectively.

NOTE 19: RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Cavalier County pays an annual premium to NDRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRF is limited to losses of two million dollars per occurrence for general liability and automobile and \$2,100,791 for public assets (mobile equipment and portable property).

Cavalier County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Cavalier County pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides Cavalier County with blanket fidelity bond coverage in the amount of \$1,750,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage. The Water Resource District has \$90,715 of blanket fidelity bond coverage and the Health District has \$100,000 of blanket fidelity bond coverage.

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

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

NOTE 20: JOINT VENTURES

Under authorization of state 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.

CAVALIER COUNTY

Notes to the Financial Statements - Continued

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

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

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

NOTE 21: CONDUIT DEBT

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

As of December 31, 2012, there are three series of Community Development Block Grant Loans outstanding, with an aggregate principal amount payable of \$204,877.

NOTE 22: PRIOR PERIOD ADJUSTMENTS

Prior period adjustments for the 2012 Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds consist of a beginning balance adjustment to remove prior year unearned revenue for grants received in advance (\$273,930) in the FEMA funds. The effect of the prior period adjustment to beginning fund balance is as follows”

Governmental Funds (County):	Amounts
Fund Balances - December 31, 2012	\$4,151,402
Adjustments to restate the January 1, 2012 fund balance for the following:	
Unearned Revenue - Nonmajor Govt. Funds	(273,930)
Fund Balance January 1, 2012 as restated	<u>\$3,877,472</u>

The prior period adjustments for the 2012 Statement of Activities consist of beginning balance adjustments to capital assets (\$21,781), road accounts receivables (\$50,735), and remove unearned revenue (\$273,930). The effect of the prior period adjustments to beginning Net Position is as follows:

Governmental Activities (County)	Amounts
Net Position, as previously reported	\$6,554,339
Adjustments to restate the January 1, 2012 net position for the following:	
Capital Assets - Cost	239,860
Capital Assets - Depreciation	(218,079)
Road Accounts Receivable	(50,735)
Unearned Revenue	(273,930)
Net Position January 1, 2012 as restated	<u>\$6,251,455</u>

CAVALIER COUNTY

Notes to the Financial Statements - Continued

NOTE 23: DEFICIT BALANCES

The following funds were in a deficit fund balance position at December 31, 2012:

Governmental Funds	Balance
Farm to Market Roads	\$ (91,277)
County Road & Bridge	(77,709)

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

NOTE 24: CONSTRUCTION COMMITMENTS

Cavalier County had one open construction commitments as of December 31, 2012 as follows:

Project	Original Contract	Total Completed	Retainage	Remaining Balance w/Retainages	% Complete
COI-4510 (062) Highway Project	\$3,028,032	\$2,960,621	\$52,764	\$67,411	98%

CAVALIER COUNTY
Langdon, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 875,500	\$ 875,500	\$ 879,085	\$ 3,585
Intergovernmental	1,317,350	1,317,350	1,494,224	176,874
Charges for Services	240,198	240,198	227,125	(13,073)
Licenses, Permits and Fees	2,350	2,350	2,350	-
Interest Income	25,100	25,100	22,642	(2,458)
Miscellaneous	38,725	38,725	35,784	(2,941)
Total Revenues	\$ 2,499,223	\$ 2,499,223	\$ 2,661,210	\$ 161,987
<u>Expenditures:</u>				
Current:				
General Government	\$ 1,021,705	\$ 1,021,705	\$ 951,511	\$ 70,194
Public Safety	530,427	530,427	651,802	(121,375)
Highways and Bridges	-	578,177	578,177	-
Health and Welfare	26,460	26,460	26,460	-
Debt Service:				
Principal	-	-	21,162	(21,162)
Interest & Service Charges	-	-	3,502	(3,502)
Total Expenditures	\$ 1,578,592	\$ 2,156,769	\$ 2,232,614	\$ (75,845)
Excess (Deficiency) of Revenues Over Expenditures	\$ 920,631	\$ 342,454	\$ 428,596	\$ 86,142
<u>Other Financing Sources (Uses):</u>				
Transfers in	\$ -	\$ -	\$ 63,039	\$ 63,039
Transfers out	-	-	(297,729)	(297,729)
Total Other Financing Sources and Uses	\$ -	\$ -	\$ (234,690)	\$ (234,690)
Net Change in Fund Balances	\$ 920,631	\$ 342,454	\$ 193,906	\$ (148,548)
Fund Balances - January 1	\$ 796,230	\$ 796,230	\$ 796,230	\$ -
Fund Balances - December 31	\$ 1,716,861	\$ 1,138,684	\$ 990,136	\$ (148,548)

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, 2012

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 377,000	\$ 377,000	\$ 377,804	\$ 804
Miscellaneous	8,000	8,000	8,294	294
Total Revenues	<u>\$ 385,000</u>	<u>\$ 385,000</u>	<u>\$ 386,098</u>	<u>\$ 1,098</u>
<u>Expenditures:</u>				
Current:				
Highways and bridges	\$ 409,144	\$ 409,144	\$ 414,906	\$ (5,762)
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (24,144)</u>	<u>\$ (24,144)</u>	<u>\$ (28,808)</u>	<u>\$ (4,664)</u>
Fund Balances - January 1	<u>\$ (62,469)</u>	<u>\$ (62,469)</u>	<u>\$ (62,469)</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ (86,613)</u>	<u>\$ (86,613)</u>	<u>\$ (91,277)</u>	<u>\$ (4,664)</u>

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

CAVALIER COUNTY
Langdon, North Dakota

BUDGETARY COMPARISON SCHEDULE
COUNTY ROAD & BRIDGE FUND
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 203,000	\$ 203,000	\$ 206,341	\$ 3,341
Charges for Services	350,000	350,000	353,020	3,020
Miscellaneous	2,000	2,000	2,027	27
Total Revenues	\$ 555,000	\$ 555,000	\$ 561,388	\$ 6,388
<u>Expenditures:</u>				
Current:				
Highways and Bridges	\$ 1,437,662	\$ 1,536,642	\$ 1,407,122	\$ 129,520
Debt service:				
Principal	-	-	108,414	(108,414)
Interest	-	-	11,965	(11,965)
Total Expenditures	\$ 1,437,662	\$ 1,536,642	\$ 1,527,501	\$ 9,141
Excess (Deficiency) of Revenues Over Expenditures	\$ (882,662)	\$ (981,642)	\$ (966,113)	\$ 15,529
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ -	\$ 927,312	\$ 927,312
Transfers Out	-	-	(27,956)	(27,956)
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 899,356	\$ 899,356
Net Change in Fund Balances	\$ (882,662)	\$ (981,642)	\$ (66,757)	\$ 914,885
Fund Balances - January 1	\$ (10,952)	\$ (10,952)	\$ (10,952)	\$ -
Fund Balances - December 31	\$ (893,614)	\$ (992,594)	\$ (77,709)	\$ 914,885

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, 2012

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 579,500	\$ 579,500	\$ 581,231	\$ 1,731
<u>Expenditures:</u>				
Current:				
Health and Welfare	\$ 42,000	\$ 42,000	\$ 37,033	\$ 4,967
Excess (Deficiency) of Revenues Over Expenditures	\$ 537,500	\$ 537,500	\$ 544,198	\$ 6,698
<u>Other Financing Sources (Uses):</u>				
Transfers out	\$ -	\$ -	\$ (468,000)	\$ (468,000)
Net Change in Fund Balances	\$ 537,500	\$ 537,500	\$ 76,198	\$ (461,302)
Fund Balances - January 1	\$ 308,561	\$ 308,561	\$ 308,561	\$ -
Fund Balances - December 31	\$ 846,061	\$ 846,061	\$ 384,759	\$ (461,302)

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

CAVALIER COUNTY
Langdon, North Dakota

BUDGETARY COMPARISON SCHEDULE
SOCIAL SECURITY AND OASIS FUND
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 521,000	\$ 521,000	\$ 522,406	\$ 1,406
<u>Expenditures:</u>				
Current:				
General Government	\$ 401,519	\$ 401,519	\$ 400,142	\$ 1,377
Excess (Deficiency) of Revenues Over Expenditures	\$ 119,481	\$ 119,481	\$ 122,264	\$ 2,783
Fund Balances - January 1	\$ 225,643	\$ 225,643	\$ 225,643	\$ -
Fund Balances - December 31	\$ 345,124	\$ 345,124	\$ 347,907	\$ 2,783

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

CAVALIER COUNTY
Langdon, North Dakota

BUDGETARY COMPARISON SCHEDULE
INSURANCE RESERVE FUND
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 93,000	\$ 93,000	\$ 92,967	\$ (33)
<u>Expenditures:</u>				
Current:				
General Government	\$ 33,000	\$ 33,000	\$ -	\$ 33,000
Excess (Deficiency) of Revenues Over Expenditures	\$ 60,000	\$ 60,000	\$ 92,967	\$ 32,967
Fund Balances - January 1	\$ 317,145	\$ 317,145	\$ 317,145	\$ -
Fund Balances - December 31	\$ 377,145	\$ 377,145	\$ 410,112	\$ 32,967

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

CAVALIER COUNTY
Langdon, North Dakota

BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 484,000	\$ 484,000	\$ 480,716	\$ (3,284)
Interest	-	-	2,948	2,948
Total Revenues	<u>\$ 484,000</u>	<u>\$ 484,000</u>	<u>\$ 483,664</u>	<u>\$ (336)</u>
<u>Expenditures:</u>				
Current:				
Highways and Bridges	\$ -	\$ 1,030,596	\$ 858,576	\$ 172,020
Debt Service:				
Principal	-	-	160,000	(160,000)
Interest	-	-	12,020	(12,020)
Total Expenditures	<u>\$ -</u>	<u>\$ 1,030,596</u>	<u>\$ 1,030,596</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 484,000</u>	<u>\$ (546,596)</u>	<u>\$ (546,932)</u>	<u>\$ (336)</u>
Fund Balances - January 1	<u>\$ 546,932</u>	<u>\$ 546,932</u>	<u>\$ 546,932</u>	<u>\$ -</u>
Fund Balances - December 31	<u>\$ 1,030,932</u>	<u>\$ 336</u>	<u>\$ -</u>	<u>\$ (336)</u>

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, 2012

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 IN EXCESS OF BUDGET

During fiscal year 2012, Cavalier County had the following fund expenditures in excess of budgeted amounts:

	Budget	Actual	Excess
<u>Major Funds:</u>			
General Fund	\$2,156,769	\$2,232,614	\$(75,845)
Farm to Market Fund	409,144	414,906	(5,763)
<u>Special Revenue Fund:</u>			
Road & Bridge Excess Levy Fund	270,000	666,840	(396,840)

No remedial action is anticipated or required regarding these excess expenditures.

CAVALIER COUNTY
Langdon, North Dakota

SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2012

	Balance 1-1-12	Receipts	Transfers In	Other Fin. Sources	Transfers Out	Disbursements	Balance 12-31-12
Primary Government:							
Major Funds:							
General Fund	\$ 439,716.12	\$ 2,496,696.54	\$ 63,038.62	\$ -	\$ 297,728.15	\$ 2,250,036.20	\$ 451,686.93
State Revenue Sharing Invested	185,469.07	-	-	-	-	-	185,469.07
Total General Fund	\$ 625,185.19	\$ 2,496,696.54	\$ 63,038.62	\$ -	\$ 297,728.15	\$ 2,250,036.20	\$ 637,156.00
Special Revenue Funds (Major):							
Farm to Market Roads	\$ 25.68	\$ 386,098.76	\$ -	\$ -	\$ -	\$ 344,439.97	\$ 41,684.47
County Road and Bridge	20.47	561,388.19	927,311.77	-	27,956.16	1,534,391.64	(73,627.37)
County Poor	308,561.17	581,231.32	-	-	468,000.00	37,033.02	384,759.47
Insurance Reserve	317,145.05	92,967.09	-	-	-	-	410,112.14
OASIS and Social Security	225,642.70	522,405.93	-	-	-	400,141.61	347,907.02
Capital Projects	546,932.65	483,663.33	-	-	-	1,030,595.98	-
Total Major Special Revenue Funds	\$ 1,398,327.72	\$ 2,627,754.62	\$ 927,311.77	\$ -	\$ 495,956.16	\$ 3,346,602.22	\$ 1,110,835.73
Total Major Funds	\$ 2,023,512.91	\$ 5,124,451.16	\$ 990,350.39	\$ -	\$ 793,684.31	\$ 5,596,638.42	\$ 1,747,991.73
Non-Major Funds:							
Special Revenue Funds:							
County Road	\$ 323,199.26	\$ 130,778.65	\$ -	\$ -	\$ 92,975.41	\$ 361,002.50	\$ -
Highway Tax Distribution	184,968.52	666,185.84	-	-	589,217.33	261,937.03	-
2009 FEMA Road	87,937.69	-	-	-	-	87,937.69	-
Road and Bridge Excess Levy	381,207.43	290,618.03	-	-	-	666,840.30	4,985.16
Road/Bridge Equipment Replacement	49,831.50	-	20,715.00	-	-	-	70,546.50
2011 FEMA Road	141,782.79	377,696.75	-	-	301.62	361,540.56	157,637.36
2009 FEMA Project Mgmt. Costs	40,264.06	-	-	-	-	24,267.66	15,996.40
2011 FEMA Project Mgmt. Costs	3,945.72	13,619.18	301.62	-	-	1,921.88	15,944.64
Social Services	345.52	211,600.38	468,000.00	-	-	679,600.84	345.06
Emergency Fund	14,018.41	7,273.11	-	-	-	-	21,291.52
Veteran's Service Officer	60,956.32	14,591.43	-	-	-	9,462.32	66,085.43
Health Insurance	1,176.68	145,311.94	-	-	-	143,956.48	2,532.14
County Agent	24,087.52	121,282.30	-	-	-	110,717.40	34,652.42
Weed Control	20,512.25	144,308.85	-	-	-	142,702.70	22,118.40
E911 Land Line Excise Tax	201,368.84	26,705.13	-	-	1,957.83	47,634.11	178,482.03
E911 Cell Phone Excise Tax	163,189.87	35,483.53	-	-	1,230.51	16,380.11	181,062.78
Hazardous Chemicals (Emg. Mgr. Trust)	3,047.05	1,450.00	-	-	-	-	4,497.05
Document Preservation	4,697.70	7,613.56	-	-	-	1,980.37	10,330.89
Total Non-Major Special Revenue Funds	\$ 1,706,537.13	\$ 2,194,518.68	\$ 489,016.62	\$ -	\$ 685,682.70	\$ 2,917,881.95	\$ 786,507.78
Total Governmental Funds	\$ 3,730,050.04	\$ 7,318,969.84	\$ 1,479,367.01	\$ -	\$ 1,479,367.01	\$ 8,514,520.37	\$ 2,534,499.51
Agency Funds:							
Sheriff Trust	\$ 383.00	\$ 6.00	\$ -	\$ -	\$ -	\$ 80.00	\$ 309.00
Victims Assistance Fund	1,563.31	1,225.00	-	-	-	1,563.31	1,225.00
County Library (Agency)	30,997.92	67,160.66	-	-	-	95,566.06	2,592.52
Historical Society (Agency)	2,888.77	4,947.46	-	-	-	7,338.87	497.36
County Ambulance (Agency)	34,480.72	59,323.86	-	-	-	87,827.48	5,977.10
Estimated Mobile Homes	2,064.25	2,566.17	-	-	-	2,396.63	2,233.79
State Medical Center Levy	9,427.44	19,818.06	-	-	-	28,993.31	252.19
Job Development Authority	37,596.92	78,952.56	-	-	-	116,121.65	427.83
Game and Fish (State)	15,599.00	18,443.02	-	-	-	17,915.00	16,127.02
Soil Conservation District	11,575.24	19,872.61	-	-	-	29,359.55	2,088.30
Domestic Violence Prevention	70.00	960.00	-	-	-	925.00	105.00
Senior Citizens	23,574.52	62,050.35	-	-	-	81,638.59	3,986.28
NDSU County Agent Trust	3,681.61	6,244.34	-	-	-	4,620.57	5,305.38
Cavalier County Health District	23,186.90	39,581.06	-	-	-	58,757.95	4,010.01
Cav. County Water Resource District	33,895.28	57,887.40	-	-	-	85,819.16	5,963.52
Total Drains	3,610.05	9,756.85	-	-	-	13,234.17	132.73
Drain Maintenance	118,085.77	143,843.84	-	-	-	247,260.25	14,669.36
Total Cities, Parks, Townships	477,061.15	1,887,797.86	-	-	-	2,252,690.68	112,168.33
Total School Districts	859,060.13	1,763,795.11	-	-	-	2,579,101.10	43,754.14
Total Rural Fire Protection Districts	35,484.31	59,267.71	-	-	-	88,802.12	5,949.90
Total Agency Funds	\$ 1,724,286.29	\$ 4,303,499.92	\$ -	\$ -	\$ -	\$ 5,800,011.45	\$ 227,774.76
Total Primary Government	\$ 5,454,336.33	\$ 11,622,469.76	\$ 1,479,367.01	\$ -	\$ 1,479,367.01	\$ 14,314,531.82	\$ 2,762,274.27

CAVALIER COUNTY
Langdon, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	2012 Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>		
<u>Passed through State Department of Human Services:</u>		
Children's Health Insurance Program	93.767	\$ 419
Foster Care-Title IV-E (Recovery)	93.658	27,785
Adoption Assistance (Recovery)	93.659	512
Promoting Safe and Stable Families	93.556	2,752
Child Care and Development Block Grant	93.575	356
Children's Justice Grants to States	93.643	720
Stephanie Tubbs Jones Child Welfare Services Program	93.645	1,287
Temporary Assistance for Needy Families	93.558	44,702
Maternal and Child Health Services Block Grant to the States	93.994	804
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	<u>1,753</u>
Total U.S. Department of Health and Human Services		<u>\$ 81,090</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>		
<u>Passed through the State Department of Transportation:</u>		
Highway Planning and Construction	20.205	** \$ 889,295
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>		
<u>Passed through State Division of Emergency Services:</u>		
Homeland Security Grant Program	97.067	\$ 64,869
Emergency Preparedness Demonstration Program	97.001	24,349
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	** <u>419,705</u>
Total U.S. Department of Homeland Security		<u>\$ 508,923</u>
Total Expenditures of Federal Awards		<u>\$ 1,479,308</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, 2012. 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 position 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

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

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

Independent Auditor's Report

Board of County Commissioners
Cavalier County
Langdon, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cavalier County, Langdon, North Dakota, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Cavalier County's basic financial statements, and have issued our report thereon dated January 24, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify one deficiency in internal control, described in the accompanying *schedule of findings and questioned costs* that we consider to be a significant deficiency [2012-01].

Compliance and Other Matters

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

CAVALIER COUNTY

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

Cavalier County's Response to Findings

Cavalier County's response to the finding identified in our audit is described in the accompanying *schedule of findings and questioned costs*. Cavalier County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Robert R. Peterson
State Auditor

Fargo, North Dakota
January 24, 2014

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

Board of County Commissioners
Cavalier County
Langdon, North Dakota

Report on Compliance for Each Major Federal Program

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 programs for the year ended December 31, 2012. Cavalier County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Cavalier County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the major federal programs 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 on compliance for the major federal programs. However, our audit does not provide a legal determination of Cavalier County's compliance.

Opinion on Each Major Federal Program

In our opinion, Cavalier County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2012.

CAVALIER COUNTY

Report on Compliance for Each Major Federal Programs; Report on Internal Control Over Compliance; and
Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 - Continued

Report on Internal Control Over Compliance

Management of Cavalier County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cavalier County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Cavalier County as of and for the year ended December 31, 2012, and have issued our report thereon dated January 24, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is 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 and other 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 expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Robert R. Peterson
State Auditor

Fargo, North Dakota
January 24, 2014

CAVALIER COUNTY
Langdon, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?

Governmental Activities	Unmodified
Aggregate Discretely Presented Component Units	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

Material weakness identified?	_____	Yes	_____	<u>X</u>	None noted
Significant deficiencies identified not considered to be material weaknesses?	_____	Yes	_____	<u>X</u>	None noted
Type of auditor's report issued on compliance for major programs?	Unmodified				
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____	Yes	_____	<u>X</u>	None noted

Identification of Major Programs:

CFDA Numbers	Name of Federal Program
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disaster)
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and B programs: \$300,000

Auditee qualified as low-risk auditee? _____ Yes _____ X No

CAVALIER COUNTY

Schedule of Findings and Questioned Costs – Continued

Section II - Financial Statement Findings

2012-01 – Prior Period Adjustments to Net Position/Fund Balance

Condition:

Per review of the results of capital asset testing of the County's capital asset listing, a net amount of \$21,781 of adjustments, consisting of an increase cost of capital assets and accumulated depreciation for equipment, were proposed to correct errors in the capital asset listing. There was also a beginning balance adjustment to remove prior year revenue for FEMA grants (\$273,930) from Governmental Funds statements due to revenue reporting requirements not being met as of year-end. Lastly, based on testing conducted in the receivables program, a decrease in the beginning net position balance totaling \$50,735 was proposed to correct prior period errors related to the road receivables balance.

Effect:

The capital assets and unearned revenue prior period errors resulted in a prior period adjustment to beginning net position totaling \$252,149 and beginning fund balance totaling \$273,930. Unearned Revenue prior period errors totaled a \$273,930 decrease to the beginning fund balance. Road Receivables prior period errors totaled a \$50,735 decrease to the beginning net position. Capital asset prior period errors netted to an increase of \$21,781 to beginning net capital asset balances consisting of an increase of \$239,860 to capital assets costs for equipment and an increase of \$218,079 to various categories of capital assets accumulated depreciation. The effect of these errors also resulted in an emphasis of a matter language in the audit report opinion.

Cause:

The primary cause was missing three vehicles from the prior audit, a formula error in the road receivables worksheet, and incorrectly showing expenditure driven FEMA grants as earned revenue before the county expended the grant funds.

Criteria:

Generally Accepted Accounting Standards (GAAP) prescribes qualifying expenses to be capitalized at their proper cost and revenue to be recognized when earned. Proper internal controls surrounding capital assets and revenue ensure that capital assets and revenue balances and activity are fairly stated.

Recommendation:

We recommend that Cavalier County ensure proper amounts of capital assets and revenue are reported at each year-end. Detailed capital asset records should include all properly classified assets into proper asset classifications including appropriate descriptions of the asset, year of purchase or construction, useful lives, annual depreciation, proper accumulated depreciation, book values or balance to depreciate, and the correct function of the asset. The county should also prepare a detailed addition and deletion summary of assets for each year. Additionally, the county should pay special attention to ensure that all infrastructure projects are carefully reviewed on at least an annual basis to ensure infrastructure projects that need to be capitalized are indeed properly reported and disclosed. Additionally, it is recommended that the county only report revenue earned when all reporting requirements are met.

Views of Responsible Officials:

I agree with the recommendation. Cavalier County will implement the recommendation.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.