

CASS COUNTY, NORTH DAKOTA

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

For the Year Ended December 31,
2003

Prepared by the County Auditor's Office

**CASS COUNTY GOVERNMENT
Comprehensive Annual Financial Report
For the Year Ended December 31, 2003**

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May 26, 2004

Honorable Chairman and Commissioners
Cass County Board of Commissioners
211 South 9th Street
Fargo ND 58103

Commissioners:

The Comprehensive Annual Financial Report of Cass County is hereby submitted for the fiscal year ended December 31, 2003. This report was prepared by the County Auditor's Office. The responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial, and Statistical. The introductory section includes this transmittal letter, a Certificate of Achievement, the County organizational chart and a list of principal officials. The financial section includes the independent auditor's opinion, the management discussion and analysis, basic financial statements, notes to the basic financial statements, and the combining and individual fund statements and schedules. The statistical section includes selected financial and demographic information, presented on a multi-year basis.

The Notes to the Financial Statements are considered an integral and essential part of adequate disclosure and fair presentation of the basic financial statements. The notes include the summary of significant accounting policies applied to the matters relating to the financial position and results of operations of the County. The notes provide significant insight and are necessary to understand the financial statements.

This report includes all funds of the County. The County provides a full range of services. These services include tax assessment and collection; law enforcement and jail services; social services and public health services; the construction and maintenance of highways; and general administrative services.

The County is also accountable to the citizens of the county for the decisions and financial obligations of boards that are appointed by the governing body of the county. The County Commission appoints all of the board members for the Vector, Noxious Weed, and the four water resource districts located in the county. In addition to appointing the governing boards of these districts, the county is responsible for approving their budgets and tax levies. The activities of the Vector, Noxious Weed, and the four water resource districts are combined and shown in the component unit column of the financial statements.

The County supports, through grants, various senior citizen boards, ambulance and rescue squad boards, the fair board, and the historical society board. The County is not responsible for the activities of these boards and accordingly their financial information has not been included in this report. Note 1 of the Notes to the Financial Statements defines the reporting entity.

Readers of this report are reminded that certain assets reported in agency funds are held in the name of the County and represent funds held for others in a fiduciary capacity and, as such, are not available for the general use of the County.

ECONOMIC CONDITIONS AND OUTLOOK

Cass County is located on the eastern edge of North Dakota, bordering along the Red River, the boundary between North Dakota and Minnesota. The Red River Valley is one of the most fertile agricultural areas in the world. The economic condition and outlook of the County have remained strong; the County population grew almost twenty percent from 1990 to 2000, according to the latest census figures, while the overall increase in statewide population was less than one percent. Two of the fastest growing cities in North Dakota are located in Cass County, including the City of Fargo, home of the County Courthouse and administrative offices.

Over the past ten years, the taxable valuation of the County has been growing at an average rate of over 6.0 percent, and the population, as noted above, has been growing at an average rate of 2.0 percent. The taxable valuation growth has occurred mainly in the service industry and in new home construction. These growth trends are expected to continue.

Cass County is home to the state's second largest university, North Dakota State University, with a student body of over 10,500. Also serving the region are another state university and a private college, both located across the river in Moorhead, Minnesota.

The area is well known for quality health care services, with two major medical facilities, Dakota Clinic and the affiliated Innovis Hospital, and Meritcare Health System. These facilities serve a large area in both North Dakota and Minnesota, and have a combined daily patient volume of approximately 400 patients.

Cass County is a regional trade center that draws from eastern North Dakota, western Minnesota, and central Canada. Taxable sales and purchases through the fourth quarter of 2003 were \$1.94 billion, which represents a 5.2 percent increase from 2002. Sales have increased by an average 5.1 percent over the last ten years.

FINANCIAL INFORMATION

Internal Control

Management of the County is responsible for establishing and maintaining an internal control structure designed to ensure that assets are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the County also is responsible for ensuring that an adequate internal control structure is in place to comply with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management.

As part of the government's single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the government has complied with applicable laws and regulations. There were no instances of material weaknesses in the internal control structure.

Budget Controls

The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the County Commission and also to give County departments definite guidelines for operations. The County is legally required to maintain budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) at the fund level. The County's budgetary policy includes provisions for maintaining reserves at an adequate level (7% to 10% of budgeted expenditures) for each separate fund. The County also requires officials to maintain budgetary control at the department level.

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview, and analysis in the form of management's discussion and analysis (MD&A) to accompany the basic financial statements. This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it. Cass County's MD&A can be found immediately following the report of the independent auditor.

As demonstrated by the statements and schedules included in the financial section of this report, the County meets its responsibility for sound financial management.

Cash Management

Cash is pooled for the purpose of increasing interest income through investment activities. Cash is primarily invested in demand deposits, money market accounts, and certificates of deposit. These amounts must be deposited in a financial institution situated and doing business within the state. The majority of County investments are short term.

Risk Management

The County is self-insured for various types of risk including group medical employee benefits and unemployment insurance. Insurance liability reserves as of December 31, 2003 are considered adequate by management to cover the ultimate cost to defend or settle claims arising from these risks.

OTHER INFORMATION

Independent Audit

The Office of the State Auditor has audited the basic financial statements. The County's independent auditors have reviewed the adequacy of internal accounting controls and the supplementary financial information included in the Comprehensive Annual Financial Report, as they relate to the fairness of presentation of the County's basic financial statements. The auditor's report is included in the Financial Section of this report.

Federal funds received by the County are also subject to an annual program compliance audit under the requirements of the Single Audit Act and Office of Management and Budget Circular A-133. The results of this examination for the fiscal year ended December 31, 2003 are incorporated in a separate report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Cass County for its comprehensive annual financial report for the fiscal year ended December 31, 2002. This was the tenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to Cass County Government for its Popular Annual Financial Report for the fiscal year ended December 31, 2002. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year. Cass County has received a Popular Award for the last four consecutive years. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.

Acknowledgments

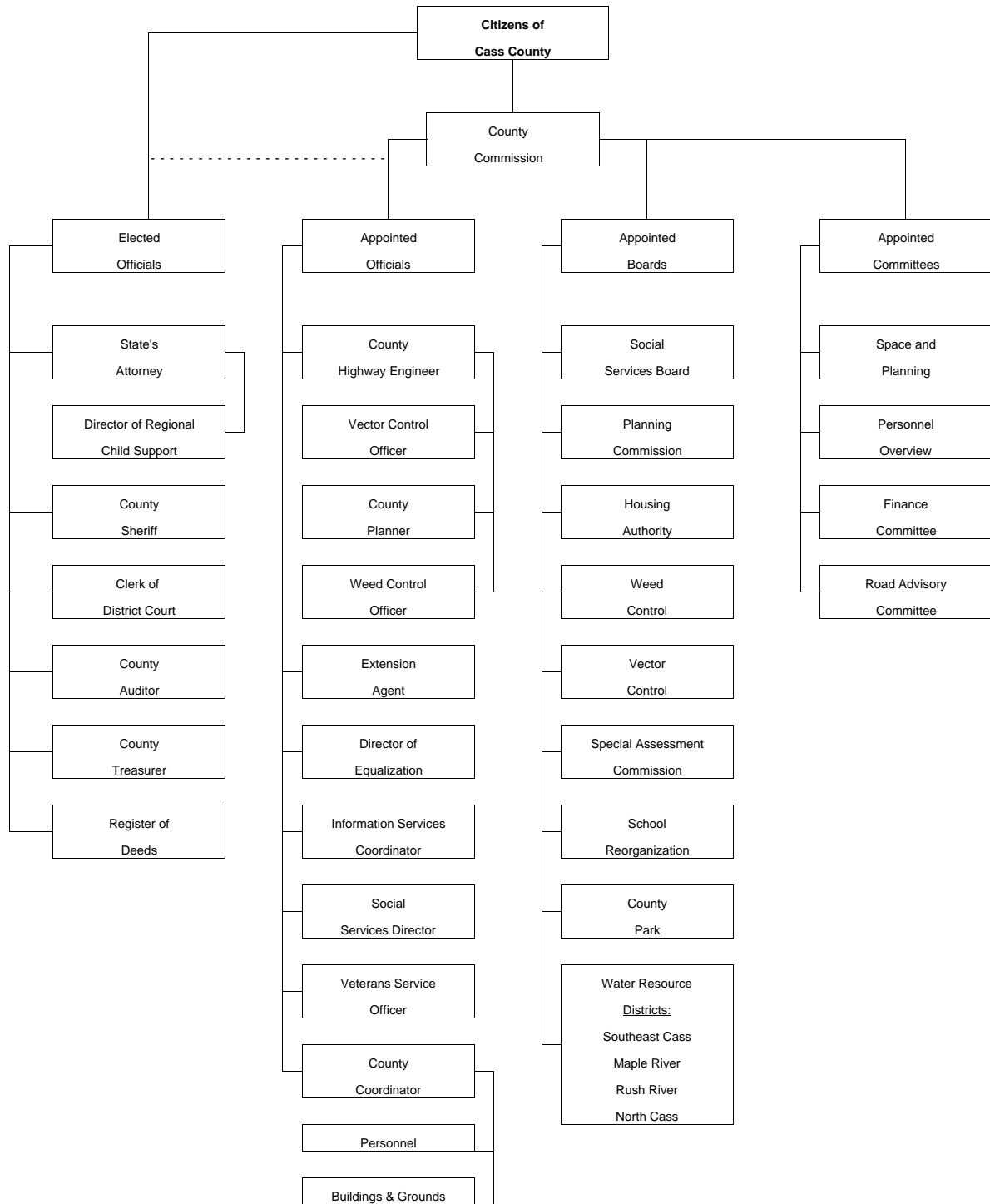
The preparation of this report could not have been completed if it had not been for the commitment of the County Commission in improving the accounting, budgeting, and financial operation of the County. The Commission has provided the support and fiscal resources necessary to make this report possible. I would also like to acknowledge the professional expertise of Debra Ness and Mary Matheson, Accountants, and Heather Worden, Administrative Secretary, who assisted in the preparation of this report.

Respectfully submitted,

Michael Montplaisir, CPA
County Auditor

CASS COUNTY GOVERNMENT

2001 Organizational Chart



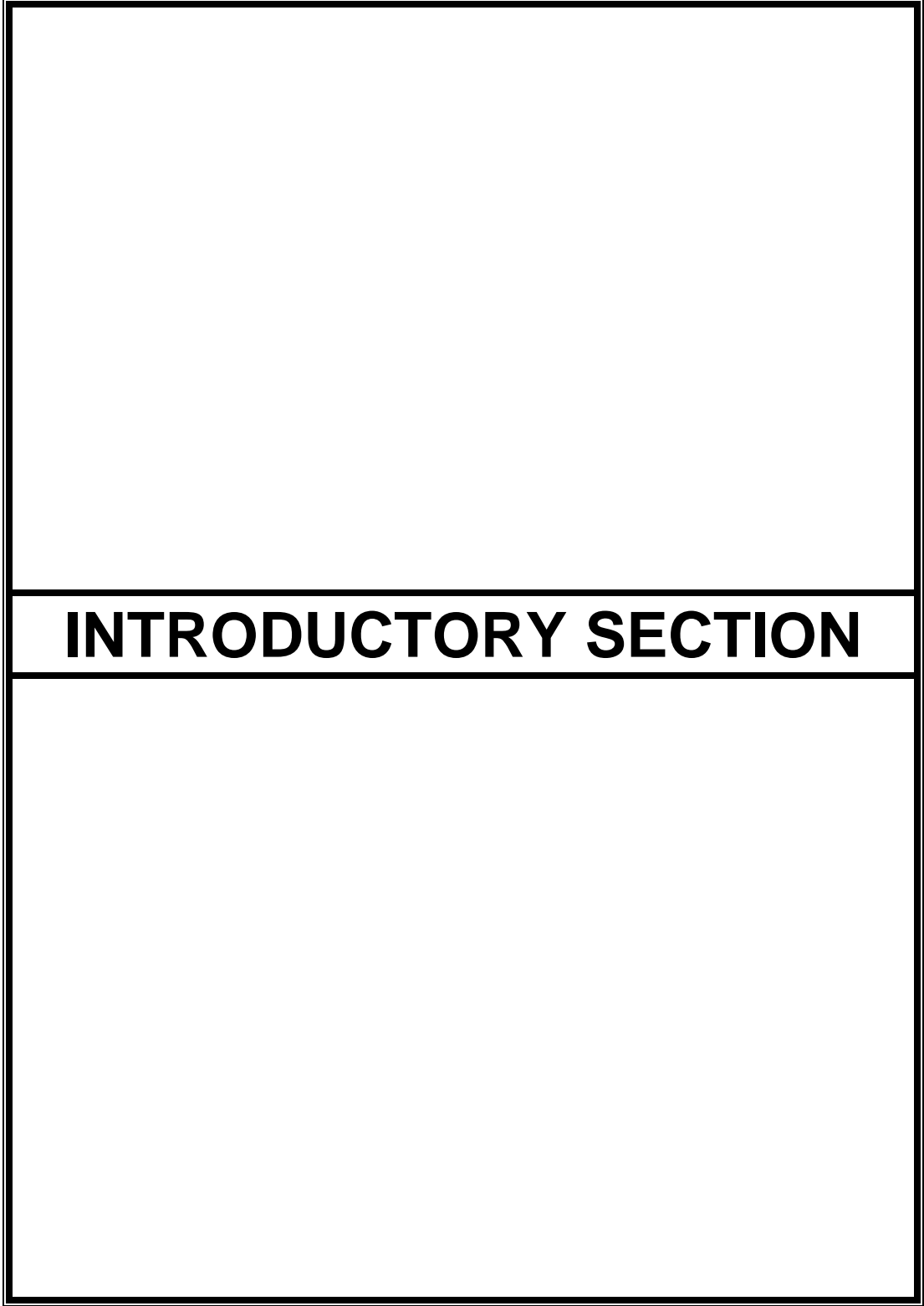
CASS COUNTY GOVERNMENT
COUNTY OFFICIALS

Current Officials

Commissioners:	Robyn Sorum, Chairman John Meyer Darrel Vanyo Vern Bennett Scott Wagner
Auditor:	Michael Montplaisir
Treasurer:	Charlotte Sandvik
Sheriff:	Donald Rudnick
Recorder:	Deanna Kensrud
States Attorney:	Birch Burdick

2003 Officials

Commissioners:	Scott Wagner, Chairman John Meyer Robyn Sorum Darrel Vanyo Vern Bennett
Auditor:	Michael Montplaisir
Treasurer:	Charlotte Sandvik
Sheriff:	Donald Rudnick
Recorder:	Deanna Kensrud
States Attorney:	Birch Burdick



INTRODUCTORY SECTION

FINANCIAL SECTION

CASS COUNTY GOVERNMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS

The County's management discussion and analysis offers readers of the County's financial statements a narrative overview and analysis of the County's financial activities for the fiscal year ended December 31, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, and in the financial statements and notes to the financial statements.

FINANCIAL HIGHLIGHTS

- At December 31, 2003, the net assets of Cass County Government exceeded liabilities by \$94,711,104. Net assets invested in capital assets (net of depreciation and related debt) accounted for nearly 82% of this amount, with a value of \$77,517,018. Of the remaining net assets, \$5,429,022 is restricted for special purposes, \$447,586 is restricted for debt service, \$5,223,671 is restricted for capital projects, and \$6,093,807 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors, without legal restriction.
- At December 31, 2003, the County's governmental funds reported combined ending fund balances of \$17,284,943, an increase of \$4,424,018 over the previous year.
- At December 31, 2003, the unreserved fund balance for the General Fund was \$2,806,832 or 19% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. They consist of the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets presents information on all the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as useful indicators of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during fiscal year 2003. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. Items such as uncollected taxes and earned but unused vacation leave will be included in the Statement of Activities as revenues and expenses, even though the cash associated with these items will not be received or distributed in 2003.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the County include general government, public safety, highways and streets, conservation and economic development, relief and charities, and culture and recreation.

The government-wide financial statements include not only the County itself (known as the primary government), but also the following legally separate component units: Southeast Cass Water Resource District, Maple River Water Resource District, North Cass Water Resource District, Rush River Water Resource District, Cass County Vector Control District, and Cass County Noxious Weed District. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 21-22 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the County can be divided into three categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes

in Fund Balance provide reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains thirty-two individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance for the General, Human Services, County Road and Bridge, Special 10 Mill Road, Future Building and Jail Construction Funds, which are considered to be major funds. Data about the other twenty-six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the supplementary information section of this report.

The County adopts an annual appropriated budget for its general, budgeted special revenue, and debt service funds. A budgetary comparison statement has been provided for these funds to demonstrate budgetary compliance.

The basic governmental fund financial statements can be found on pages 24-68 of this report.

Proprietary Funds

The county maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its health insurance, telephone trust, and motor pool. Because these services benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in the supplementary information section of this report.

The basic proprietary fund financial statements can be found on pages 35-37 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is similar to proprietary funds.

The basic fiduciary fund financial statements can be found on pages 38 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 44-68 of this report.

OTHER INFORMATION

The combining statements referred to on page 15 in connection with non-major governmental funds and internal service funds are presented in the supplementary information section of this report. Combining and individual fund schedules can be found on pages 69-114 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

STATEMENT OF NET ASSETS

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. In the case of Cass County, assets exceeded liabilities by \$94,711,104 at the close of the fiscal year ended December 31, 2003.

	Governmental Activities
Current and Other Assets	\$ 25,183,846
Capital Assets	77,748,928
Total Assets	<u>102,932,774</u>
Long-Term Liabilities	830,952
Other Liabilities	7,390,718
Total Liabilities	<u>8,221,670</u>
Net Assets:	
Invested in Capital Assets Net of Related Debt	77,517,018
Restricted	11,100,279
Unrestricted	6,093,807
Total Net Assets	<u>\$ 94,711,104</u>

The largest portion of the County's net assets (81.8 %), reflects its investment in capital assets (e.g. land, buildings, and equipment), less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net assets (11.7 %) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$6,093,807) may be used to meet the government's ongoing obligations to its citizens and creditors.

STATEMENT OF CHANGES IN NET ASSETS

Because this is the first year of implementation of Government Accounting Standards Board Statement No. 34, which requires this new reporting model, the preceding and following tables present only current year data. In future years, when prior year information is available, comparative analysis of County data will be available.

Governmental activities increased the County's net assets by \$7,215,766. Key elements in changes in net assets are shown in the following table.

	Governmental Activities
Revenues:	
Program Revenues:	
Charges for services	\$ 4,588,483
Operating grants and contributions	9,345,731
Capital grants and contributions	2,515,614
General Revenues:	
Property taxes	17,669,197
Sales tax	2,967,611
Estate tax	476,797
State share revenues	2,066,262
Other	368,870
Total Revenues	<u>39,998,565</u>
Expenses:	
General government	5,125,526
Public safety	11,233,154
Highways and streets	6,372,040
Relief and charities	7,959,846
Conservation & economic development	1,578,168
Culture & recreation	474,987
Interest on long-term debt	39,075
Total Expenses	<u>32,782,796</u>
Increase in net assets	7,215,766
Net assets – January 1	<u>87,495,338</u>
Net assets – December 31	<u>\$ 94,711,104</u>

Total revenues for 2003 were \$39,998,565. Property tax revenue accounted for 44% of total revenues. Other taxes accounted for 9%, operating grants accounted for 23%, capital grants accounted for 6% and the remaining 18% was from charges for services, state shared revenues and interest income.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

GOVERNMENTAL FUNDS

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2003, the County's governmental funds reported combined ending fund balances of \$17,284,943, an increase of \$4,424,018 in comparison with the previous year. The General, Human Services, County Road and Bridge, Special 10 Mill Road, Future Building and Jail Construction Funds are reported as major funds.

The General Fund is the chief operating fund of the County. At the end of fiscal year 2003, the unreserved fund balance of the General Fund was \$2,806,832, while the total fund balance was \$2,933,215. As a measure of the general fund's liquidity, it may be useful to compare the unreserved fund balance to total fund expenditures. The unreserved fund balance represents 19% of total general fund expenditures.

The County's General Fund increased by \$865,822 during 2003 as a result of revenues greater than originally anticipated for charges for services and lower departmental costs--departments under spent their budgets by 13%.

The Human Service Fund balance at December 31, 2003 was \$1,518,198 for an increase of \$163,177 over December 2002. This 12% increase was the result of staff turnover and unfilled positions in 2003.

The fund balances of the County Road and Bridge Fund and the Special 10 Mill Road Fund both increased in 2003 as planned projects were completed under budget. The fund balance for the County Road and Bridge Fund increased by \$732,461; \$300,000 as part of a planned buildup of reserves and \$400,000 in cost savings. The fund balance at December 31, 2003 of the County Road and Bridge Fund was \$1,055,700. The Special 10 Mill Road Fund balance increased by \$147,193 due to cost sharing on a road project and lower than anticipated expenses on projects. The fund balance at December 31, 2003 of the Special 10 Mill Road Fund was \$897,347.

The Future Building Fund is funded by estate tax collections and as such the revenue is extremely unpredictable. The fund is used for building renovations and minor construction projects. The fund balance at December 31, 2003 was \$3,208,935; an decrease of \$198,990 over December 2002. The decrease in fund balance was due to the construction of a parking lot, removal of a county building and land purchased for a greenway project in the county.

The fund balance of the Jail Construction Fund was \$5,137,152 at December 31, 2003 for an increase of \$1,971,031. This fund was established to provide for the construction, maintenance, operation, and future expansion of the county jail. The desired fund balance at the end of the project was \$5,000,000 which will be used to construct additions to the jail when the need arises. A temporary county sales tax was used to provide the funds necessary for this project. The sales tax was approved by the residents of the county for a four year period; however, the County Commission ended the sales tax after three and one half years.

General Fund Budgetary Highlights

Differences between the General Fund's original budget and the final amended budget were \$465,278 for revenues and \$249,614 for expenditures. The revenues increased due to an amendment for increased county recorder fees and a federal grant for the

sheriff's office. The expenditures increased in election costs and overtime and temporary salaries for the county recorder, states attorney, and parent resource center.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The County's investment in capital assets for its governmental activities as of December 31, 2003 amounts to \$77,748,928 (net of accumulated depreciation). This investment in capital assets includes, land, buildings, improvement other than buildings, equipment, and infrastructure. The total increase in the County's investment in capital assets for the current fiscal year was \$2,493,510.

Major capital asset events during the current fiscal year included the following:

- Completion of several road projects which increased the counties infrastructure.
- Purchases of sheriff vehicles and heavy equipment for the road department.
- Demolition of the old jail.

The following is a schedule of capital assets net of accumulated depreciation as of December 31, 2003:

Capital Assets	Governmental Activities
Land	\$ 8,547,318
Buildings	19,407,911
Improvement Other than Buildings	2,095,370
Machinery and Equipment	3,314,212
Infrastructure	44,384,117
Total	\$ 77,748,928

Additional information on the County's capital assets can be found in Note 5 on page 55-58 of this report.

LONG-TERM DEBT

At the end of fiscal year 2003, the County had total debt outstanding of \$1,631,007. Of this amount \$427,201 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessments. The remainder of the County's debt consists of special assessments payable, leases payable, and compensated absences.

The following is a schedule of the outstanding long-term debt as of December 31, 2003:

Long Term Debt	Governmental Activities
Special Assessment Bonds	\$ 27,201
Special Assessments Payable	64,054
Leases Payable	231,911
Compensated Absences	907,841
Total	\$ 1,631,007

Additional information on the County's debt can be found in Note 7 on pages 59-65 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The unemployment rate for the County as of December 31, 2003 was 2.5%. This represents an increase of 1.0% from the prior year.
- The taxable value of all property located in the county has increased by over 6% in each year for the last five years.
- The taxable sales in the county increase by 5.2% from the prior fiscal year.
- Building permit activity increased 17% for commercial construction and 3% for residential construction in 2003.

REQUESTS FOR INFORMATION

This financial report is designed to present users with a general overview of the County's finances and to demonstrate the County's accountability. If you have questions concerning any of the information provided in this report or need additional financial information, contact the County Auditor's Office, Box 2806, Fargo, ND 58103.

BASIC FINANCIAL STATEMENTS

CASS COUNTY GOVERNMENT

Statement of Net Assets

December 31, 2003

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash and cash equivalents	\$ 22,413,117	\$ 1,396,930
Investments	-	6,344,797
Receivables (net of allowance for uncollectibles)		
Accounts	127,056	30,442
Due From Primary Government	-	25,843
Delinquent Tax	456,505	70,252
Due From Other Governments	1,566,163	71,712
Special Assessments	-	83,799
Inventories	222,280	-
Prepays	155,350	11,699
Uncertified Special Assessments Receivable	243,375	8,198,198
Capital assets (net of accumulated depreciation)		
Land	8,547,318	5,824,981
Buildings and system	19,407,911	27,096
Improvements other than buildings	2,095,370	-
Machinery and equipment	3,314,212	217,867
Infrastructure	44,384,117	64,282,094
Total assets	<u>\$ 102,932,774</u>	<u>\$ 86,585,710</u>
LIABILITIES		
Accounts payable	\$ 775,245	\$ 139,988
Sales Tax Refund Payable	80,000	-
Retainages Payable	-	38,826
Interest Payable	-	63,159
Deposits	150,874	-
IBNR Claims	109,316	-
Due to Inmates	4,000	-
Deferred Revenues	5,471,228	155,428
Noncurrent liabilities:		
Due within one year	800,055	1,420,000
Due in more than one year	830,952	7,483,757
Total liabilities	<u>\$ 8,221,670</u>	<u>\$ 9,301,158</u>
NET ASSETS		
Invested in capital assets net of related debt	\$ 77,517,018	\$ 61,528,037
Restricted for:		
Special Purposes	5,429,022	-
Conservation of Natural Resources	-	3,803,431
Debt Service	447,586	11,008,820
Capital Projects	5,223,671	394,976
Unrestricted	6,093,807	549,289
Total Net assets	<u>\$ 94,711,104</u>	<u>\$ 77,284,552</u>

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

CASS COUNTY GOVERNMENT
Statement of Activities
For the Year Ended December 31, 2003

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Units
Functions/Programs						
Primary government:						
Governmental activities:						
General government	\$ 5,125,526	\$ 1,980,065	\$ -	\$ -	\$ (3,145,461)	\$ -
Public safety	11,233,154	1,851,844	1,784,681	-	(7,596,628)	-
Highways and streets	6,372,040	383,596	4,439,276	2,515,614	966,447	-
Relief and charities	7,959,846	157,742	2,159,378	-	(5,642,726)	-
Conservation & economic development	1,578,168	215,236	793,005	-	(569,928)	-
Culture and recreation	474,987	-	169,391	-	(305,596)	-
Interest on long-term debt	39,075	-	-	-	(39,075)	-
Total primary government	<u>\$ 32,782,796</u>	<u>\$ 4,588,483</u>	<u>\$ 9,345,731</u>	<u>\$ 2,515,614</u>	<u>\$ (16,332,968)</u>	<u>\$ -</u>
Component units:						
Water resource districts	\$ 3,977,240	\$ 1,136,325	\$ 701,623	\$ 1,074,352	-	\$ (1,064,939)
Noxious weed	188,187	2,144	6,513	-	-	(179,531)
Vector control	479,195	130,096	12,826	-	-	(336,274)
Total component units	<u>\$ 4,644,622</u>	<u>\$ 1,268,565</u>	<u>\$ 720,962</u>	<u>\$ 1,074,352</u>	<u>\$ -</u>	<u>\$ (1,580,743)</u>
General revenues:						
Property taxes					\$ 17,669,197	\$ 1,517,177
Sales taxes					2,967,611	-
Estate Taxes					476,797	-
State Shared Revenues					2,066,262	-
Unrestricted investment earnings					262,776	-
Misc					106,094	382,301
Total general revenues					<u>\$ 23,548,734</u>	<u>\$ 1,899,479</u>
Changes in net assets					7,215,766	318,735
Net assets - beginning					87,495,338	76,983,041
Prior Period Adjustment					-	(17,225)
Net assets - ending					<u>\$ 94,711,104</u>	<u>\$ 77,284,552</u>

The accompanying notes are an integral part of the financial statements.

**FUND FINANCIAL
STATEMENTS**

CASS COUNTY GOVERNMENT
Balance Sheet
Governmental Funds
December 31, 2003

	General	Human Services	County Road and Bridge	Special 10 Mill Road	Future Building	Jail Construction	Other Governmental Funds	Total Governmental Funds
ASSETS								
Assets:								
Cash and Cash Equivalents	\$ 5,018,166	\$ 3,154,612	\$ 398,351	\$ 1,983,961	\$ 3,009,528	\$ 5,229,734	\$ 2,750,007	\$ 21,544,358
Receivables:								
Taxes	213,938	143,381	6,922	69,719	-	-	22,545	456,506
Accounts	61,531	3,402	92	-	-	-	57,118	122,142
Due From Other Governments	569,570	206,383	505,331	160	199,407	2,520	82,792	1,566,163
Due From Other Funds:								
Human Service Fund	3,429	-	-	-	-	-	-	3,429
Inventory	7,431	-	204,520	-	-	-	-	211,951
Inventory of supplies, at cost	10,329	-	-	-	-	-	-	10,329
Prepaid Items	108,623	14,792	31,241	-	-	-	695	155,351
TOTAL ASSETS	5,993,016	3,522,569	1,146,456	2,053,840	3,208,935	5,232,254	2,913,156	24,070,227
LIABILITIES AND EQUITY								
Liabilities:								
Accounts Payable	235,278	106,763	62,991	253,047	-	15,102	96,940	770,120
Sales Tax Refund Payable	-	-	-	-	-	80,000	-	80,000
Deferred Revenues	2,824,524	1,894,180	27,765	903,446	-	-	277,818	5,927,733
Due to Inmates	-	-	-	-	-	-	4,000	4,000
Due to Other Funds:								
General Fund	-	3,429	-	-	-	-	-	3,429
Total Liabilities	3,059,801	2,004,371	90,756	1,156,493	-	95,102	378,758	6,785,282
Equity:								
Fund Balances:								
Reserved for Inventory	17,760	-	204,520	-	-	-	-	222,280
Reserved for Prepaid Items	108,623	14,792	31,241	-	-	-	695	155,351
Reserved for Debt Service	-	-	-	-	-	-	204,211	204,211
Unreserved, reported in:								
General Fund	2,806,832	-	-	-	-	-	-	2,806,832
Special Revenue Funds	-	1,503,405	819,939	897,347	-	-	2,242,971	5,463,663
Capital Projects Funds	-	-	-	-	3,208,935	5,137,152	86,518	8,432,606
Total Equity	2,933,215	1,518,198	1,055,700	897,347	3,208,935	5,137,152	2,534,396	17,284,943
TOTAL LIABILITIES AND EQUITY	\$ 5,993,016	\$ 3,522,569	\$ 1,146,456	\$ 2,053,840	\$ 3,208,935	\$ 5,232,254	\$ 2,913,156	\$ 24,070,227

The accompanying notes are an integral part of the financial statements.

CASS COUNTY GOVERNMENT
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
December 31, 2003

Fund balance - total governmental funds		\$ 17,284,943
Amounts reported for governmental activities in the statement of net assets are different because:		
Add - Capital Assets	122,551,907	
Deduct - accumulated depreciation	<u>(44,906,255)</u>	
Net Assets		77,645,652
Property taxes and special assessments receivable will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenues in the funds		456,505
Long-term uncertified special assessments receivable are not reported in the funds because they are unavailable to pay the current period's expenditures.		243,375
Internal service funds are used by management to charge the costs of certain equipment usage and self-insurance to individual governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		
Add - net assets of governmental activities accounted for in the internal service funds		711,636
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences payable	(907,841)	
Leases payable	(231,911)	
Special assessments payable	(64,054)	
Special assessments bonds payable	<u>(427,201)</u>	
Total long term liabilities		<u>(1,631,007)</u>
Net assets of governmental activities		<u><u>\$ 94,711,104</u></u>

The accompanying notes are an integral part of these financial statements

CASS COUNTY GOVERNMENT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended December 31, 2003

	General Fund	Human Services	County Road and Bridge	Special 10 Mill Road	Future Building	Jail Construction	Other Governmental Funds	Total Governmental Funds
REVENUES								
Taxes:								
Property	\$ 8,154,236	\$ 5,711,560	\$ 388,250	\$ 2,722,737	\$ -	\$ -	\$ 808,224	\$ 17,785,008
Sales	-	-	-	-	-	2,967,611	-	2,967,611
Licenses, permits and fees	24,353	85,715	-	-	-	-	41,136	151,204
Intergovernmental revenues	3,695,625	2,159,378	4,439,276	-	476,797	-	1,174,023	11,945,099
Charges for services	2,578,311	71,407	96,310	204,529	-	-	1,144,781	4,095,337
Miscellaneous revenues	195,616	39,015	85,336	24,718	33,825	53,578	203,293	635,382
Total Revenues	14,648,141	8,067,075	5,009,172	2,951,984	510,623	3,021,189	3,371,457	37,579,641
EXPENDITURES								
Current:								
General government	3,881,478	-	-	-	-	-	572,129	4,453,607
Public Safety	9,755,446	-	-	-	-	-	1,046,439	10,801,885
Highways and streets	-	-	4,324,850	2,804,791	-	-	-	7,129,641
Relief and charities	-	7,903,898	-	-	-	-	-	7,903,898
Culture and recreation	-	-	-	-	-	-	468,984	468,984
Conservation & economic development	1,023,778	-	-	-	-	-	550,345	1,574,123
Capital outlay	-	-	-	-	599,262	100,158	-	699,420
Debt service:								
Principal retirement	71,268	-	-	-	-	-	64,004	135,272
Interest	12,491	-	-	-	-	-	24,050	36,541
Fiscal charges	-	-	-	-	-	-	2,534	2,534
Total Expenditures	14,744,461	7,903,898	4,324,850	2,804,791	599,262	100,158	2,728,485	33,205,905
Excess (deficiency) of revenues over (under) expenditures	(96,320)	163,177	684,322	147,193	(88,639)	2,921,031	642,972	4,373,736
OTHER FINANCING SOURCES (USES)								
Transfers in	960,000	-	-	-	-	-	339,997	1,299,997
Transfers out	-	-	-	-	(110,351)	(950,000)	(239,647)	(1,299,998)
Sale of capital assets	2,142	-	48,139	-	-	-	-	50,281
Total of other financing sources and uses	962,142	-	48,139	-	(110,351)	(950,000)	100,351	50,282
Net change in fund balances	865,822	163,177	732,461	147,193	(198,990)	1,971,031	743,323	4,424,018
Fund balances - beginning	2,067,392	1,355,021	323,239	750,153	3,407,925	3,166,121	1,791,079	12,860,930
Fund balances - ending	\$ 2,933,215	\$ 1,518,198	\$ 1,055,700	\$ 897,347	\$ 3,208,935	\$ 5,137,152	\$ 2,534,396	\$ 17,284,943

The accompanying notes are an integral part of the financial statements.

CASS COUNTY GOVERNMENT
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended December 31, 2003

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds		\$ 4,424,018
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital asset additions	3,577,728	
Current year depreciation expense	(3,440,318)	137,410
<p>The effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets:</p>		
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.		2,515,614
<p>In the statement of activities, only the loss on the sale or disposal of capital assets is reported. However, in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold or disposed.</p>		
Retired assets	(2,047,876)	
Accumulated depreciation on retired assets	1,861,428	(186,448)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Decrease in Taxes Receivable	(62,902)	
Decrease in Uncertified Special Assessments	(33,787)	(96,689)
<p>Long term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.</p>		
Repayment of bonds	64,004	
Repayment of leases	123,225	
Repayment of specials	30,812	218,041
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in the governmental funds.</p>		
Net increase in compensated absences		(41,059)
<p>Internal service funds are used by management to charge the costs of the motor pool, employee health insurance and the telephone system to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.</p>		
		244,884
Change in net assets of governmental activities		\$ 7,215,766

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

CASS COUNTY GOVERNMENT
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended December 31, 2003

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$ 8,000,382	\$ 8,000,382	\$ 8,154,236	\$ 153,854
Licenses, Permits and Fees	9,400	9,400	24,353	14,953
Intergovernmental Revenues	3,696,676	3,852,954	3,695,625	(157,329)
Charges for Services	2,036,126	2,345,126	2,578,311	233,185
Miscellaneous Revenues	223,770	223,770	195,616	(28,154)
Total Revenues	13,966,354	14,431,632	14,648,141	216,509
Expenditures:				
Current:				
General Government:				
County Commission	624,193	624,193	602,522	21,671
County Coordinator	1,483,276	1,502,899	1,131,897	371,002
Information Technology	868,448	868,448	763,003	105,445
Auditor	578,530	584,530	578,007	6,523
Treasurer	242,999	242,999	237,452	5,547
County Recorder	413,983	433,983	421,817	12,166
Director of Tax Equalization	134,009	134,009	118,836	15,173
County Planning	85,804	85,804	27,943	57,861
Total General Government	4,431,242	4,476,865	3,881,478	595,388
Public Safety:				
County Sheriff	7,370,968	7,488,740	7,425,658	63,082
States Attorney	2,365,859	2,390,859	2,323,800	67,059
Cemetery	5,629	5,629	5,988	(359)
Total Public Safety	9,742,456	9,885,228	9,755,446	129,782
Conservation & Econ. Development:				
County Extension Agent	317,437	378,656	337,020	41,636
Public Service Agencies	716,603	716,603	686,758	29,845
Total Conservation & Econ Dev	1,034,040	1,095,259	1,023,778	71,481
Debt Service:				
Principal	87,000	87,000	71,268	15,732
Interest	13,000	13,000	12,491	509
Total Debt Service	100,000	100,000	83,759	16,241
Total Expenditures	15,307,738	15,557,352	14,744,461	812,892
Excess (deficiency) of revenues over (Under) expenditures	(1,341,384)	(1,125,720)	(96,320)	1,029,401
Other Financing Sources (Uses):				
Transfers In	950,000	950,000	960,000	10,000
Sale of Property	10,000	10,000	2,142	(7,858)
Total Other Financing Sources (Uses)	960,000	960,000	962,142	2,142
Net change in fund balances	(381,384)	(165,720)	865,822	1,031,543
Fund Balance - Beginning	2,067,392	2,067,392	2,067,392	-
Fund Balance - Ending	\$ 1,686,008	\$ 1,901,672	\$ 2,933,215	\$ 1,031,543

The accompanying notes are an integral part of the financial statements.

CASS COUNTY GOVERNMENT
Human Service
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended December 31, 2003

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$ 5,604,563	\$ 5,604,563	\$ 5,711,560	\$ 106,997
Licenses, Permits and Fees	91,040	91,040	85,715	(5,325)
Intergovernmental Revenues	2,237,084	2,237,084	2,159,378	(77,706)
Charges for Services	75,333	75,333	71,407	(3,926)
Miscellaneous Revenues	92,128	92,128	39,015	(53,113)
Total Revenues	<u>8,100,148</u>	<u>8,100,148</u>	<u>8,067,075</u>	<u>(33,073)</u>
<u>Expenditures:</u>				
Current:				
Relief and Charities	<u>8,336,034</u>	<u>8,336,034</u>	<u>7,903,898</u>	<u>432,136</u>
Total Expenditures	<u>8,336,034</u>	<u>8,336,034</u>	<u>7,903,898</u>	<u>432,136</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(235,886)</u>	<u>(235,886)</u>	<u>163,178</u>	<u>399,063</u>
Fund Balance - Beginning	<u>1,355,021</u>	<u>1,355,021</u>	<u>1,355,021</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 1,119,135</u>	<u>\$ 1,119,135</u>	<u>\$ 1,518,198</u>	<u>\$ 399,063</u>

The accompanying notes are an integral part of the financial statements.

CASS COUNTY GOVERNMENT
County Road and Bridge
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended December 31, 2003

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$ 400,307	\$ 400,307	\$ 388,250	\$ (12,057)
Intergovernmental Revenues	4,283,910	4,283,910	4,439,276	155,366
Charges for Services	48,500	48,500	96,310	47,810
Miscellaneous Revenues	3,117	3,117	85,336	82,219
Total Revenues	4,735,834	4,735,834	5,009,172	273,338
<u>Expenditures:</u>				
Current:				
Highways and Streets	4,454,308	4,454,308	4,324,850	129,458
Total Expenditures	4,454,308	4,454,308	4,324,850	129,458
Excess (deficiency) of revenues over (under) expenditures	281,526	281,526	684,322	402,796
<u>Other Financing Sources (Uses):</u>				
Sale of Property	20,000	20,000	48,139	28,139
Total Other Financing Sources (Uses)	20,000	20,000	48,139	28,139
Net change in fund balance	301,526	301,526	732,461	430,935
Fund Balance - Beginning	323,239	323,239	323,239	-
Fund Balance - Ending	\$ 624,765	\$ 624,765	\$ 1,055,700	\$ 430,935

The accompanying notes are an integral part of the financial statements.

CASS COUNTY GOVERNMENT
Special 10 Mill Road
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended December 31, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
<u>Revenues:</u>				
Property Taxes	\$ 2,671,431	\$ 2,671,431	\$ 2,722,737	\$ 51,306
Charges for Services	-	-	204,529	204,529
Miscellaneous Revenues	<u>69,565</u>	<u>69,565</u>	<u>24,718</u>	<u>(44,847)</u>
Total Revenues	<u>2,740,996</u>	<u>2,740,996</u>	<u>2,951,984</u>	<u>210,988</u>
<u>Expenditures:</u>				
Current:				
Highways and Streets	<u>3,080,000</u>	<u>3,080,000</u>	<u>2,804,791</u>	<u>275,209</u>
Total Expenditures	<u>3,080,000</u>	<u>3,080,000</u>	<u>2,804,791</u>	<u>275,209</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(339,004)</u>	<u>(339,004)</u>	<u>147,194</u>	<u>486,197</u>
Fund Balance - Beginning	<u>750,153</u>	<u>750,153</u>	<u>750,153</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 411,149</u>	<u>\$ 411,149</u>	<u>\$ 897,347</u>	<u>\$ 486,197</u>

The accompanying notes are an integral part of the financial statements.

CASS COUNTY GOVERNMENT
Proprietary Funds
Statement of Net Assets
December 31, 2003

	Internal Service Funds
<u>ASSETS</u>	
Cash and Investments	\$ 868,759
Accounts Receivable	4,914
Capital Assets	269,491
Less: Accumulated Depreciation	(166,214)
Total Assets	976,950
<u>LIABILITIES</u>	
<u>Liabilities:</u>	
Accounts Payable	5,124
Deposits	150,874
IBNR Claims	109,316
Total Liabilities	265,314
 <u>Net Assets:</u>	
Invested in Capital Assets	103,276
Unrestricted	608,360
Total Net Assets	\$ 711,636

The accompanying notes are an integral part of the financial statements.

CASS COUNTY GOVERNMENT
Statement of Revenues, Expenses and
Changes in Net Assets
All Proprietary Fund Types
For the Year Ended December 31, 2003

	Governmental Activities
	Internal Service Funds
<u>Operating Revenues:</u>	
Premiums	\$ 1,706,901
Charges for Services	163,611
Miscellaneous	31,998
	1,902,511
<u>Operating Expenses:</u>	
Premiums	156,112
Medical Services	4,035
Telephone Service	58,446
Maintenance Agreements	28,466
Equipment Repair	11,006
Administrative Fees	96,601
Collision Repair/Replacement	11,460
Benefit Payments	1,181,166
IBNR Claims	102,260
Depreciation Expense	19,136
	1,668,690
Operating Income	233,821
<u>Nonoperating Revenues (Expenses):</u>	
Interest Income	11,062
Total Nonoperating Revenues (Expenses)	11,062
Net Income	244,883
Total Net Assets Beginning	466,752
Total Net Assets Ending	\$ 711,635

The accompanying notes are an integral part of the financial statements.

CASS COUNTY GOVERNMENT
Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended December 31, 2003

	Governmental Activities
	Internal Service Funds
<u>Cash Flows From Operating Activities:</u>	
Receipts from customers	\$ 1,869,112
Payments to suppliers	(351,857)
Claims paid	(1,253,129)
Other receipts	31,998
	296,124
<u>Cash flows from capital and related financing activities:</u>	
Purchase of capital assets	(46,070)
	11,062
<u>Cash Flows From Investing Activities:</u>	
Interest income	11,062
	261,116
Net Increase in cash and cash equivalents	261,116
Cash and cash equivalents -beginning of the year	607,643
Cash and cash equivalents - end of the year	868,759
<u>Reconciliation of Operating Income (Loss) to net cash provided (used) by operating activities:</u>	
Operating income	233,821
Adjustments to reconcile operating income to net cash flows from operating activities:	
Depreciation	19,136
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(1,400)
Increase (decrease) in accounts payable	4,850
Increase (decrease) in premium deposit funds	9,419
Increase (decrease) in IBNR claims	30,297
Net cash provided by operating activities	\$ 296,124

The accompanying notes are an integral part of the financial statements.

CASS COUNTY GOVERNMENT
Statement of Fiduciary Fund Net Assets
Agency Funds
December 31, 2003

	<u>County Funds</u>	<u>Tax Collection Funds</u>	<u>Funds of Other Governmental Units</u>	<u>Total Agency Funds</u>
<u>ASSETS</u>				
Cash and Investments	\$ 40,000	\$ 38,605,894	\$ 434,650	\$ 39,080,544
Total Assets	<u>40,000</u>	<u>38,605,894</u>	<u>434,650</u>	<u>39,080,544</u>
 <u>LIABILITIES</u>				
Accounts Payable	25,243	-	-	25,243
Due to Component Units	-	25,843	-	25,843
Deposits	<u>14,757</u>	<u>38,580,051</u>	<u>434,650</u>	<u>39,029,458</u>
Total Liabilities	<u>\$ 40,000</u>	<u>\$ 38,605,894</u>	<u>\$ 434,650</u>	<u>\$ 39,080,544</u>

The accompanying notes are an integral part of the financial statements.

CASS COUNTY GOVERNMENT

Statement of Net Assets

Component Units

December 31, 2003

	Southeast Cass WRD	North Cass WRD	Maple River WRD	Rush River WRD	Weed Control	Vector Control	Totals
ASSETS							
<u>Assets:</u>							
Cash and Cash Equivalents	\$ 694,911	\$ 12,525	\$ 281,883	\$ 124,861	\$ 216,704	\$ 66,047	\$ 1,396,930
Investments	6,044,797	-	300,000	-	-	-	6,344,797
Receivables:							
Accounts Receivable	-	-	-	-	831	29,611	30,442
Taxes Receivable	44,952	2,965	7,345	3,309	6,411	5,270	70,252
Intergovernmental Receivable	-	41,667	26,911	3,134	-	-	71,712
Special Assessments	76,961	2,436	3,070	1,332	-	-	83,799
Due From Primary Government	17,262	1,702	4,777	2,102	-	-	25,843
Prepays	-	-	-	-	4,066	7,633	11,699
Long-Term Receivables:							
Uncertified Special Assessments Receivable	6,802,317	402,085	187,793	806,003	-	-	8,198,198
Capital Assets (Net of Accumulated Depreciation)							
Land	1,737,093	1,015,784	1,203,890	1,868,213	-	-	5,824,981
Buildings	-	-	-	-	27,096	-	27,096
Equipment	-	-	-	-	121,560	96,307	217,867
Infrastructure	47,517,620	4,260,794	6,148,560	6,355,120	-	-	64,282,094
TOTAL ASSETS	62,935,912	5,739,958	8,164,229	9,164,074	376,668	204,868	86,585,709
LIABILITIES							
<u>Liabilities:</u>							
Accounts Payable	73,499	63,075	-	-	1,898	1,516	139,988
Retainages Payable	14,448	24,378	-	-	-	-	38,826
Deferred Revenues	-	-	-	-	72,052	83,376	155,428
Interest Payable	49,910	3,603	1,868	7,777	-	-	63,159
Noncurrent Liabilities:							
Due within one year	1,150,000	160,000	80,000	30,000	-	-	1,420,000
Due in more than one year	6,136,902	375,618	170,809	800,428	-	-	7,483,757
Total Liabilities	7,424,759	626,675	252,676	838,205	73,950	84,892	9,301,158
<u>Net Assets</u>							
Investment in Capital Assets, Net of Related Debt	41,970,713	4,816,578	7,102,450	7,393,333	148,656	96,307	61,528,037
Restricted For:							
Conservation of Natural Resources	3,516,516	-	175,504	111,411	-	-	3,803,431
Debt Service	9,549,633	415,755	230,977	812,455	-	-	11,008,820
Capital Projects	394,976	-	-	-	-	-	394,976
Unrestricted	79,315	(119,049)	402,621	8,670	154,063	23,669	549,289
Total Net Assets	\$ 55,511,153	\$ 5,113,284	\$ 7,911,552	\$ 8,325,869	\$ 302,719	\$ 119,976	\$ 77,284,552

The accompanying notes are an integral part of the financial statements.

CASS COUNTY GOVERNMENT
Statement of Activities
Component Units
For the Year Ended December 31, 2003

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets						
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Southeast Cass WRD	North Cass WRD	Maple River WRD	Rush River WRD	Weed Control	Vector Control	Total
Functions/Programs											
Component units:											
Southeast Cass Water Resource District	\$ 2,569,409	\$ 771,196	\$ 412,357	\$ 1,074,352	\$ (311,503)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (311,503)
Maple River Water Resource District	433,109	177,701	65,751	-	-	-	(189,658)	-	-	-	(189,658)
North Cass Water Resource District	231,079	110,582	167,878	-	-	47,381	-	-	-	-	47,381
Rush River Water Resource District	743,642	76,846	55,638	-	-	-	(611,158)	-	-	-	(611,158)
Noxious weed	188,187	2,144	6,513	-	-	-	-	(179,531)	-	-	(179,531)
Vector control	479,195	130,096	12,826	-	-	-	-	-	(336,274)	-	(336,274)
Total component units	<u>\$ 4,644,622</u>	<u>\$ 1,268,565</u>	<u>\$ 720,962</u>	<u>\$ 1,074,352</u>	<u>\$ (311,503)</u>	<u>\$ 47,381</u>	<u>\$ (189,658)</u>	<u>\$ (611,158)</u>	<u>\$ (179,531)</u>	<u>\$ (336,274)</u>	<u>\$ (1,580,742)</u>
General revenues:											
Property taxes					\$ 984,186	\$ 17,887	\$ 84,704	\$ 28,583	\$ 197,746	\$ 204,072	\$ 1,517,177
Unrestricted investment earnings					223,457	3,277	9,754	40,730	2,326	102,757	382,301
Total general revenues					<u>\$ 1,207,643</u>	<u>\$ 21,164</u>	<u>\$ 94,458</u>	<u>\$ 69,312</u>	<u>\$ 200,072</u>	<u>\$ 306,829</u>	<u>\$ 1,899,479</u>
Changes in net assets					896,139	68,545	(95,199)	(541,846)	20,541	(29,445)	318,736
Net assets - beginning					54,615,014	5,044,739	8,006,751	8,867,715	299,402	149,420	76,983,041
Prior period adjustment					-	-	-	-	(17,225)	-	(17,225)
Net assets - ending					<u>\$ 55,511,153</u>	<u>\$ 5,113,284</u>	<u>\$ 7,911,552</u>	<u>\$ 8,325,869</u>	<u>\$ 302,719</u>	<u>\$ 119,976</u>	<u>\$ 77,284,552</u>

The accompanying notes are an integral part of the financial statements.

CASS COUNTY GOVERNMENT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cass County operates under a Home Rule Charter passed by the voters in 1994. The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The County implemented new reporting model standards beginning January 1, 2003. Comparability with reports of all prior years will be affected. The more significant of the government's accounting policies are described below.

A. The Financial Reporting Entity

For financial reporting purposes, Cass County has included all funds and has considered all potential component units for which Cass County is financially accountable, and other organizations for which the nature and significance of their relationship with Cass County are such that exclusion would cause the Cass County's financial statements to be misleading or incomplete. The Government Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of Cass 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 Cass County.

Based on these criteria, Cass County has included six discretely presented component units within Cass County's reporting entity.

B. Individual Component Unit Disclosures

Discretely Presented Component Units. The component units' column in the combined financial statements include the financial data of the county's other component units. They are reported in a separate column to emphasize that they are legally separate from the county. The county board appoints the governing bodies of all of these component units.

The component units consist of the four Water Resource Districts, Southeast Cass, North Cass, Maple River, and Rush River; the Cass County Vector Control District and the Cass County Noxious Weed District.

The Water Resource Districts have jurisdiction over the management of the water resources within their respective boundaries. The County's governing body has the authority to modify or approve the budgets of these districts.

Complete financial statements of the individual Water Resource Districts can be obtained at Water Resource Districts, P.O. Box 5012, West Fargo, North Dakota 58078-5012.

The primary responsibilities of the Cass County Vector Control District and Cass County Noxious Weed District are to provide vector and weed control, respectively, on public land. The County Engineer is responsible for the management of the districts. A three-member board is appointed by the County Board of Commissioners and governs both districts. The Cass County Board of Commissioners has the authority to modify or approve the budgets of these districts. Both districts are located at the Cass County Highway Department. Complete financial statements of the Cass County Noxious Weed District and Cass County Vector Control District can be obtained at Cass County Auditor's Office, Box 2806, Fargo, ND 58108.

C. Joint Ventures

Under authorization of state statutes, the Cass County Water Resource Districts have joined the water resource districts of Richland County, Grand Forks County, Pembina County, Traill County, Steele County, Walsh County, Nelson County, Ransom County, and Sargent County to establish and operate a joint exercise of powers agreement for water management within the Red River Valley. Known as the Red River Valley Joint Water Resource Board, the agreement was established for mutual advantage of the governments. Each government appoints one member to the Board of Directors. 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 lack of provision being made for this in the joint venture agreement and the fact that each government's contribution each year depends on where the Red River Joint Water Resource Board projects are being undertaken.

The following is summary financial information on the joint venture as of and for the year ended December 31, 2002, which is the most current audited information available:

Total Assets	\$ 6,148,138
Total Liabilities	<u>14,477</u>
Total Equity	<u>6,133,661</u>
Revenues	788,332
Expenditures	<u>338,864</u>
Net Increase in Fund Balance	<u>\$ 449,468</u>

Complete financial statements can be obtained at Red River Joint Water Resource Board, Box 10, Hillsboro, North Dakota, 58045.

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues.

The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Indirect expenses are charged based upon a County-wide cost allocation plan which allocates costs based upon the number of full time equivalents, number of transactions, and other pertinent information. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period

is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

- The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- **Human Service Fund** – This fund is used to account for the County Social Service operations; this department is designated by law to provide relief to the poor and related services to the citizens of the County. The majority of the services/programs offered by the County are done in conjunction with state and federal agencies, mainly the North Dakota Department of Human Services.
- **County Road and Bridge Fund** – This fund is used for the normal maintenance of county roads and the operation of the road shops. Most of the revenues for this fund are derived from the highway tax distribution fund.
- **Special 10 Mill Road Fund** – This fund is used to account for a special 20 year levy of 10 mills approved by voters in 1984. These funds can only be used for specific road and bridge construction projects.
- **Future Building Fund** – This fund is used to provide for the future construction of county buildings and major remodeling projects.
- **Jail Construction Fund** – This fund is used to provide for the construction of the new County Jail. Revenues are derived from Sales Tax.

Additionally, the county reports the following fund types:

PROPRIETARY FUNDS

Internal Service Funds - Internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

FIDUCIARY FUNDS

Agency Funds - Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Based on the accounting and reporting standards set forth in GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the County has opted to apply all GASB (Governmental Accounting Standards Board) pronouncements as well as the FASB (Financial Accounting Standards Board) pronouncements issued before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service funds are charges to customers for sales and services. Operating expenses for internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

F. Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at year-end.

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting--under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation--is not utilized in the governmental funds.

G. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits, money market accounts and highly liquid investments with an original maturity of three months or less. Deposits must be deposited either with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or secured with pledges of securities equal to 110% of the uninsured balance.

State statutes authorize the County to invest in:

- (1) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress.

- (2) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.
- (3) Certificates of deposit fully insured by the federal deposit insurance corporation or by the state.
- (4) Obligation of the State.

Investments are stated at fair value.

H. Cash - County Offices

These amounts represent currency on hand in the county offices for exchange purposes.

I. Receivables

Receivables in the County's governmental funds consist primarily of tax revenues. Receivables in all other funds include amounts due for services to individuals performed by the County and not received by December 31, 2003.

J. Due from Other Governments

Due from other governments consist primarily of receivables due from state government for reimbursements from various state departments, the federal government and other local governments for grants and prisoner board fees.

K. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

L. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

M. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2003, are recorded as prepaid items.

N. Uncertified Special Assessments

This represents a long-term receivable in the government-wide financial statements showing the amount of uncertified/uncollected debt service fund special assessments over the life of the special assessment bonds.

O. Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. The capitalization threshold is \$5,000. Assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Interest incurred during construction of capital assets is included as part of the capitalized value of the assets constructed.

Depreciation on the capital assets (including infrastructure) of the primary government, as well as the component units, is computed using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	50
Improvements Other Than Buildings	50
Machinery and Equipment	10
Infrastructure	15-60

P. Accounts Payable

Accounts payable are liability accounts reflecting amounts on open accounts owing to private persons or organizations for goods and services received prior to December 31, 2003.

Q. Sales Tax Payable

Sales tax payable reflects an estimated amount obtained from the North Dakota State Tax Department based on a preliminary audit of a business that over paid their state sales tax.

R. Compensated Absences

Vested or accumulated vacation leave are payable to employees upon separation from service. All Vacation leave pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported. No liability is recorded for accumulated sick leave as this is a non-vesting benefit. The computed liability is in compliance with GASB Statement No. 16, Accounting for Compensated Absences.

S. Deferred Revenues

Deferred revenues arise when the County receives resources before it has a legal claim to them, as when property tax monies are received before they are due. In subsequent periods, when the County has a legal claim to the resources, the deferred revenue is recognized as revenue.

T. IBNR Claims - Self Insurance

The IBNR (Incurred But Not Reported) claims are an estimate of the health insurance claims, for which the County is liable, incurred prior to December 31, but not processed and paid until the following year.

The County is self-insured for a comprehensive group health insurance plan. The County records estimated liabilities for such claims filed or estimated to be filed for incidents that have occurred in the related Internal Service Fund. Premiums are collected from county departments and employees, and claims are paid in the related Internal Service Fund.

Reconciliation of Claims Liability:

Employee Health	2003	2002
Balance January 1	\$ 79,019	\$ 125,822
Incurred Claims Including IBNR's and Changes in Estimates	1,313,723	1,207,524
Less Claims Payments	1,283,426	1,254,328
Balance December 31	\$ 109,316	\$ 79,019

U. Long-Term Obligations

In the government-wide financial statements, the long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. For new bond issuance after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premium received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

V. Fund Equity

In the governmental fund financial statements, fund balances consist of reserved and unreserved amounts. Reservations of fund balance represent that portion which is not appropriable for expenditure or is legally segregated

for a specific future use. Fund balance reservation includes inventories, prepaid expenses, and debt service.

W. Interfund Transactions

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 a reduction of expenditures in the fund that is reimbursed.

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

NOTE 2: LEGAL COMPLIANCE - BUDGETS

Chapter 11-23 of the North Dakota Century Code governs county government in North Dakota. The Century Code chapter and the Home Rule Charter passed by the county voters in 1994 are the basis for the legal level of budgetary control in Cass County.

Each department completes its budget and delivers it to the county auditor who then files it with the board of county commissioners. The county auditor prepares a preliminary county budget for the general, special revenue, and debt service funds on the modified accrual basis of accounting. The preliminary budget includes proposed expenditures and the means of financing them. The board of county commissioners holds a public hearing where any taxpayer may testify in favor of or against any proposed expenditure or tax levy. The board of county commissioners may not approve the budget until after the public budget hearing, but must adopt the final budget on or before October 1st. For the year ending December 31, 2003, the County complied with the applicable budget laws except as noted below:

Fund Type	Unappropriated Fund	
	Unbudgeted	Expenditures
Special Revenue	1	\$221,345

(See Note 13 for further explanation)

Chapter 11-23 of the North Dakota Century Code sets the legal level of budgetary control at the fund level, no expenditure or commitment of funds may exceed the appropriation for the fund as a whole. In addition, it is the policy of Cass County to control budgets at the departmental level. In the General Fund, departments consist of the various county offices. In the Special Revenue and Debt Service Funds, the departments are comprised of the various individual funds.

Management may approve transfers of appropriations within departments without formal approval by the board of county commissioners. The board of county commissioners must approve all appropriation transfers between departments, or any supplemental appropriation. All supplemental appropriations must be approved by the board of county commissioners at the fund level and may only be done within additional revenues or reserves that were not anticipated at the time the original budget was adopted. During the

year, several supplementary appropriations were necessary. At year-end, the balance of each appropriation becomes a part of the unappropriated fund balance.

Also during 2003, three special revenue funds had an excess of expenditures over appropriations. The funds, budget and expenditures are:

Fund	2003 Budget	2003 Expenditures	Expenditures over Budget
Jail Commissary	\$ 198,000	\$ 202,542	\$ (4,542)
911 Service Land Lines	310,000	363,450	(53,450)
Sheriff Asset Forfeiture	174,678	191,112	(16,434)

The difference in the Jail Commissary Fund was due to unanticipated expenditures due to an increase in prisoners at the new jail. The 911 Service Land Line fund was over budget due to an increase in quarterly payments to the Red River Regional Dispatch Center. The Sheriff Asset Forfeiture fund was due to increased salaries reimbursed for the drug task force. The County Commission is aware of the above and has taken steps to ensure that funds remain within their budgets.

The County amended the budget as follows:

Fund	Original 2003 Budget	Amendments	Amended Budget
<u>Revenues:</u>			
General Fund	\$ 13,966,354	\$ 465,278	\$ 14,431,632
Vector Control	252,486	194,000	446,486
Sheriffs Block Grant	11,344	13,374	24,718
Jail Commissary Fund	92,000	122,000	214,000
Document Preservation	101,000	67,200	168,200
Windsor Green		5,740	5,740

Fund	Original 2003 Budget	Amendments	Amended Budget
<u>Expenditures:</u>			
General Fund	\$ 15,307,738	\$ 249,614	\$ 15,557,352
Veterans Service Office	136,051	1,988	138,039
Sheriff Block Grant Fund	20,000	11,512	31,512
NDRIN	172,000	94,248	266,248
Jail Commissary Fund	50,000	148,000	198,000
Document Preservation	152,456	33,400	185,856
Round Hill	31,013	650	31,663
Borderud's Subdivision	8,220	410	8,630
Windsor Green	10,260	350	10,610
Sleepy Hollow	5,875	260	6,135
Forest River	24,335	630	24,965
Vector Control	262,139	264,000	526,139

NOTE 3: DEPOSITS AND INVESTMENTS

Deposits: At year-end, the carrying amount of the County's deposits was \$58,400,959 and the bank balance was \$29,659,241. Of the bank balance, \$29,635,971 was covered by federal depository insurance or by collateral held by the County's agent in the County's name (Category 1), and \$23,270 was uninsured and uncollateralized (Category 3). The \$23,270 was held by the Bank of North Dakota and is backed by the full faith and credit of the State of North Dakota. Deposits include checking accounts, certificates of deposit, and money market funds.

Component Units

Deposits: At December 31, 2003, the deposits of the Water Resource Districts were entirely covered by federal depository insurance or by collateral held by the district's custodial bank in the district's name. For the purpose of risk analysis, certificates of deposits are classified as deposits.

Deposits of the Cass County Noxious Weed Control and Cass County Vector Control were pooled with the County's funds and held in the County's custodial bank in the County's name. The Weed and Vector Control deposits were covered by federal depository insurance or by collateral held by the County's agent in the County's name.

Investments: A mutual fund of \$37,527 held with US Bank is not categorized. Additional information regarding deposits and investments is included in Note 1G.

NOTE 4: TAXES AND SPECIAL ASSESSMENTS RECEIVABLE

The taxes and special assessments receivable represent the past four years of delinquent uncollected tax levies and billings. No allowance has been established for uncollectible taxes and assessments receivable.

Property that is subject to taxation is assessed on February 1 of each year to determine its 'true and full value'. Property that is under construction is assessed on the percentage of completion as of February 1. Property owners have the opportunity to appeal their assessment through a County Board of Equalization in June of each year.

Property tax mill levies must be approved by the County Commission on or before October 1 of each year. Levies are expressed in terms of one thousandth of a dollar or 'mills'. The property tax for each taxed property is computed by the Cass County Auditor and certified for collection to the County Treasurer by December 10. Before computing the tax, the true and full value is reduced by 50 percent to arrive at an 'assessed value'. The assessed value is further reduced to 10 percent of assessed value for commercial and agricultural property and 9 percent of assessed value for residential property. The result is the 'taxable value' and is used when applying the mill levy to the property.

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 of 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 five percent discount is allowed if all taxes and special assessments are paid by February 15. Penalties of 3 percent on the first installment are assessed on March 2, May 1, July 1, and October 16. Penalties of 6 percent are assessed on the second installment on October 16.

Four years after the property tax has become due, the County will start the process of foreclosing on the tax lien. The property owner has until October 1st of the fourth year to satisfy the tax lien at which time the County is entitled to a tax deed. The County, upon receiving a tax deed, will set a minimum sales price on the property and offer it for sale at a public auction.

NOTE 5: CAPITAL ASSETS

The following is a summary of changes in the capital assets during the year ended December 31, 2003:

Primary Governments Capital Assets

	Balance 1/1/2003	Increases	Decreases	Balance 12/31/2003
Capital assets not being depreciated:				
Land	\$ 8,547,318	0	0	\$ 8,547,318
Capital assets, being depreciated:				
Buildings	27,669,001	18,500	1,561,240	26,126,261
Improvements other than buildings	2,456,460	94,500	196,200	2,354,760
Machinery and equipment	6,193,500	573,356	290,436	6,476,420
Infrastructure	73,863,582	5,453,056	0	79,316,638
Total capital assets, being depreciated	110,182,543	6,139,412	2,047,876	114,274,079
Less accumulated depreciation for:				
Buildings	7,638,962	585,972	1,506,583	6,718,351
Improvements other than buildings	303,276	97,074	140,960	259,389
Machinery and equipment	2,824,639	551,455	213,885	3,162,209
Infrastructure	32,707,567	2,224,954	0	34,932,521
Total accumulated depreciation	43,474,443	3,459,455	1,861,428	45,072,469
Net capital assets, being depreciated	66,708,100	2,679,958	186,448	69,201,610
Net governmental activities capital assets	\$ 75,255,418	\$ 2,679,958	\$ 186,448	\$ 77,748,928

Depreciation expense was charged to functions/programs of primary government as follows:

Governmental Activities:	
General Government	\$ 125,025
Public Safety	739,367
Highways and Streets	2,456,501
Relief and Charities	107,969
Culture and Recreation	6,003
Conservation and Econ. Development	5,454
Total Depreciation Expense – Governmental Activities	\$ 3,440,318
Depreciation of Internal Service Funds	19,136
Total Depreciation Expense	\$ 3,459,455

Component Units

During the year ended December 31, 2003, the following changes occurred in the capital assets of:

Southeast Cass Water Resource District				
	Balance 1/1/03	Additions	Deletions	Balance 12/31/03
Capital Assets not being depreciated:				
Land	\$ 1,697,093	\$ 40,000		\$ 1,737,093
Capital Assets, being depreciated:				
Equipment	40,000			40,000
Infrastructure	57,253,000	1,430,000		58,683,000
Total Capital Assets, being depreciated	57,293,000	1,430,000		58,723,000
Less accumulated depreciation for:				
Equipment	40,000			40,000
Infrastructure	9,991,720	1,173,660		11,165,380
Total Accumulated Depreciation	10,031,720	1,173,660		11,205,380
Net capital assets, being depreciated	47,261,280	256,340		47,517,620
Net governmental activities capital assets	\$ 48,958,373	\$ 296,340		\$ 49,254,713

Maple River Water Resource District				
	Balance 1/1/03	Additions	Deletions	Balance 12/31/03
Capital Assets not being depreciated:				
Land	\$ 1,203,890			\$ 1,203,890
Capital Assets, being depreciated:				
Infrastructure	10,949,000	313,000		11,262,000
Total Capital Assets, being depreciated	10,949,000	313,000		11,262,000
Less accumulated depreciation for:				
Infrastructure	4,888,200	225,240		5,113,440
Total Accumulated Depreciation	4,888,200	225,240		5,113,440
Net capital assets, being depreciated	6,060,800	87,760		6,148,560
Net governmental activities capital assets	\$ 7,264,690	\$ 87,760		\$ 7,352,450

North Cass Water Resource District

	Balance 1/1/2003	Additions	Deletions	Balance 12/31/2003
Capital Assets not being depreciated:				
Land	\$ 1,015,784	\$	\$	\$ 1,015,784
Capital Assets, being depreciated:				
Infrastructure	5,409,590	725,000		6,134,590
Total Capital Assets, being depreciated	5,409,590	725,000		6,134,590
Less accumulated depreciation for:				
Infrastructure	1,751,104	122,692		1,873,796
Total Accumulated Depreciation	1,751,104	122,692		1,873,796
Net capital assets, being depreciated	3,658,486	602,308		4,260,794
Net governmental activities capital assets	\$ 4,674,270	\$ 602,308	\$	\$ 5,276,578

Rush River Water Resource District

	Balance 1/1/2003	Additions	Deletions	Balance 12/31/2003
Capital Assets not being Depreciated:				
Land	\$ 1,868,213	\$	\$	\$ 1,868,213
Capital Assets, being depreciated:				
Infrastructure	21,710,000			21,710,000
Total Capital Assets, being depreciated	21,710,000			21,710,000
Less accumulated depreciation for:				
Infrastructure	14,920,680	434,200		15,354,880
Total Accumulated Depreciation	14,920,680	434,200		15,354,880
Net capital assets, being depreciated	6,789,320	(434,200)		6,355,120
Net governmental activities capital assets	\$ 8,657,533	\$ (434,200)	\$	\$ 8,223,333

Noxious Weed Control

	Balance 1/1/2003	Additions	Deletions	Balance 12/31/2003
Capital assets, being depreciated:				
Buildings	\$ 41,054	\$	\$	\$ 41,054
Machinery & Equipment	171,974	9,818		181,792
Total capital assets, being depreciated	213,028	9,818		222,846
Less Accumulated Depreciation:				
Buildings	(13,137)	(821)		(13,958)
Machinery & Equipment	(45,041)	(15,191)		(60,232)
Total Accumulated Depreciation	(58,179)	(16,012)		(74,190)
Total Capital Assets Net of Depreciation	\$ 154,850	\$ (6,194)	\$	\$ 148,656

	Vector Control			Balance 12/31/2003
	Balance 1/1/2003	Additions	Deletions	
Capital assets, being depreciated:				
Machinery & Equipment	\$ 119,409	\$ 49,815	\$	\$ 169,224
Less Accumulated Depreciation:				
Machinery & Equipment	(62,770)	(10,148)		(72,917)
Total Capital Assets Net of Depreciation	\$ 56,639	\$ 39,667	\$	\$ 96,307

NOTE 6: LEASES

Operating Leases – The County entered into lease agreements with Gateway Chevrolet for a 2003 Chevrolet Pickup and a 2003 Astro Van. These leases have been recorded as operating leases for financial reporting purposes. At the end of the lease term all property belongs to Gateway Chevrolet. Total lease payments for the year ended December 31, 2003 was \$9,600. Future minimum lease payments are as follows:

Year Ending December 31	Amount
2004	\$ 9,600
2005	9,600
2006	9,600
Total	\$ 28,800

Capital Leases - The County has entered into lease agreements as lessee for financing the acquisitions of an IBM AS400 Computer System. The leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments in the government-wide financial statements.

The assets acquired through the capital leases are as follows:

Asset	Capital Assets
Machinery and equipment	\$ 201,321
Less: Accumulated Depreciation	(23,469)
Total	\$ 177,852

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2003, were as follows:

Year Ending December 31	Long-term Debt
2004	\$ 83,759
2005	83,759
2006	83,759
Total minimum lease payments	251,277
Less: Amount representing interest	(19,367)
Present value of minimum lease payments	\$ 231,911

NOTE 7: LONG-TERM DEBTSpecial Assessment Bonds

Cass County issues special assessment bonds for construction in various subdivisions. The original amount of special assessment bonds issued in prior years was \$770,000. These bonds will be repaid from the debt service funds by amounts levied against the property owners benefited by this construction. As of December 31, 2003, the County had funds of \$204,211 available for payment on the special assessment bonds. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds are received. The County may levy general taxes to make up deficiencies in special assessment funds. Special assessments on property must be paid at the same time property taxes are paid.

Special assessment bonds at December 31, 2003, are comprised of the following individual issues:

Special Assessment Bonds:

\$80,000 Refunding Improvement Bonds of 1989 for construction in the Sleepy Hollow Subdivision due an annual installment of \$10,000 in 2004 with interest at 7.0%	\$ 10,000
\$95,000 Refunding Improvement Bonds of 1995 for construction in the Borderud's Subdivision due in annual installments of \$5,000 to \$10,000 through 2010 with interest at 5.6%	55,000
\$205,000 Refunding Improvement Bonds of 1996 for construction in the Forest River Subdivision due in annual installments of \$25,000 through 2006 with interest at 5.1%	75,000
\$305,000 Refunding Improvement Bonds of 1997 for construction in the Round Hill Subdivision due in annual installments of \$20,000 to \$25,000 through 2012 with interest at 4.75% to 5.2%	210,000
\$85,000 Refunding Improvement Bonds of 2001 for construction in the Holmen's 3 rd Subdivision due in annual installments of \$4,223 to \$8,024 through 2016 with interest at 5.42%	<u>77,201</u>
Total Special Assessment Bonds	<u>\$ 427,201</u>

Annual debt service requirements to maturity for special assessment bonds

are as follows:

Governmental Activities			
Year Ending December 31	Principal	Interest	
2004	\$ 64,223	\$ 20,668	
2005	54,455	17,581	
2006	54,700	14,831	
2007	39,958	12,447	
2008	40,231	10,370	
2009-2013	150,794	22,483	
2014-2016	22,839	2,215	
Total	\$ 427,201	\$ 100,595	

Special Assessments Payable

Special assessments payable consists of specials levied by the City of Fargo and Southeast Cass Water Resource District against the County for the County's share of the benefit derived from City-funded improvements. Special assessments levied against County owned property are paid through a general tax levy. The amount to be paid each year is certified to the County and included in the General Fund budget. State statute does allow an unlimited levy for the payment of the County's share of special assessments.

Special Assessments payable at December 31, 2003, are comprised of the following individual issues:

Special Assessments:

Special Assessment taxes levied by the City of Fargo, ND against the County for the County's share of the benefit derived from city-funded improvements \$ 922

\$418,275 Sheyenne-Maple Flood Control Project No.1 special assessments due in annual installments of \$15,783, with interest at 7.65% 63,132

Total Special Assessments Payable \$ 64,054

Annual debt service requirements to maturity for special assessment payable are as follows:

Governmental Activities			
Year Ending December 31	Principal	Interest	
2004	\$ 15,979	\$ 4,905	
2005	15,979	3,681	
2006	15,979	2,458	
2007	15,949	1,235	
2008	167	14	
Total	\$ 64,054	\$ 12,292	

During the year ended December 31, 2003, the following changes occurred in

liabilities reported in long-term debt.

	Balance 1/1/2003	Additions	Reductions	Balance 12/31/2003	Due Within One Year
Lease Payable	\$ 355,136	\$	\$ (123,225)	\$ 231,911	\$ 74,204
Special Assess. Bonds	491,205		(64,004)	427,201	64,223
Special Assessments Compensated Absences	94,866		(30,812)	64,054	15,979
	866,782	41,059		907,841	645,648
Total	\$1,807,989	\$ 41,059	\$ (218,041)	\$1,631,007	\$ 800,055

*The addition and reduction of compensated absences could not be determined. The addition is the net amount.

The County is subject to a statutory limitation by the State of North Dakota for indebtedness payable principally from property taxes. At December 31, 2003, the statutory limit for the County was \$154,275,565. The County has no debt that is subject to this limitation.

Component Units

During the year ended December 31, 2003, the following changes occurred in the long-term debt of the Water Resource Districts:

Southeast Cass Water Resource District					
	Balance 1/1/2003	Additions	Reductions	Balance 12/31/2003	Due Within One Year
Special Assess. Bonds	\$8,474,000		\$(1,190,000)	\$7,284,000	\$1,150,000
Contract Payable Compensated Absences	8,355		(8,355)		
	2,734	168		2,902	
Total Southeast Cass	\$8,485,089	\$ 168	\$(1,198,355)	\$7,286,902	\$1,150,000

Maple River Water Resource District					
	Balance 1/1/2003	Additions	Reductions	Balance 12/31/2003	Due Within One Year
Special Assess. Bonds	\$ 325,000		\$(75,000)	\$ 250,000	\$ 80,000
Compensated Absences	665	144		809	
Total Maple River	\$ 325,664	\$ 144	\$(75,000)	\$ 250,809	\$ 80,000

North Cass Water Resource District					
	Balance 1/1/2003	Additions	Reductions	Balance 12/31/2003	Due Within One Year
Special Assessment Bonds	\$ 325,000	\$	\$(80,000)	\$ 460,000	\$ 85,000
Loans Payable Compensated Absences		75,000		75,000	75,000
	517	101		618	
Total North Cass	\$ 325,517	\$290,101	\$(80,000)	\$ 535,618	\$ 160,000

Rush River Water Resource District

	Balance 1/1/2003	Additions	Reductions	Balance 12/31/2003	Due Within One Year
Special Assess. Bonds	\$ 855,000		\$ (25,000)	\$ 830,000	\$ 30,000
Compensated Absences	616		(188)	428	
Total Rush River	\$ 855,616		\$ (25,188)	\$ 830,428	\$ 30,000

Long-term debt of the Water Resource Districts at December 31, 2003, is comprised of the following special assessment bonds:

Southeast Cass Water Resource District:

2001 \$3,760,000 Refunding Improvement Bonds, due in annual installments of \$210,000 to \$745,000 through 2007; with interest at 4.0% to 4.15% \$ 2,235,000

2001 \$3,900,000 Refunding Improvement Bonds, due in annual installments of \$275,000 to \$280,000 through 2016; with interest at 4.125% to 4.5% 3,620,000

1996 \$710,000 Refunding Improvement Bonds Series A, due in annual installments of \$30,000 in 2004; with interest at 4.7% 30,000

2002 \$1,235,000 Improvement bonds due in annual installments of \$80,000 to \$85,000 through 2018; interest at 2.25% to 4.75%. 1,235,000

1998 \$214,000 State Revolving Loan Fund Municipal Bond Bank, due in annual installments of \$10,000 to \$15,000 through 2018; with interest at 2.50% 164,000

Total Southeast Cass Special Assessment Bonds and Warrants Payable \$ 7,284,000

Maple River District Bonds and Warrants Payable:

1998 \$75,000 Improvement Warrants, due in annual installments of \$5,000 through 2009; with interest at 4.5% to 4.9% \$ 30,000

2002 \$145,000 Improvement Warrants, due in annual installments of \$70,000 to 75,000 through 2006; interest at 3.75%. 145,000

2000 \$280,000 Improvement Warrants, due in one annual installment of \$75,000 through 2004; interest at 5.4% 75,000

Total Maple River Special Assessment Bonds and Warrants Payable \$ 250,000

Rush River District Bonds and Warrants Payable:

2000 \$880,000 Improvement Bonds, due in annual installments of \$30,000 to \$75,000 through 2020, with interest at 5.0% to 6.0% \$ 830,000

North Cass District Bonds Payable:

2002 \$215,000 Improvement Bonds, due in annual installments of \$5,000 to \$15,000 through 2018, with interest at 4.0% to 5.0%. \$ 215,000

2002 \$245,000 Improvement Bonds, due in annual installments of \$80,000 to \$85,000 through 2006; with interest at 4.0%. 245,000

Total North Cass Special Assessment Bonds and Warrants Payable \$ 460,000

North Cass Loans Payable:

\$75,000 Alerus Financial Bank Loan due in one installment of \$75,000 in 2004; interest at 5.0%. 75,000

Total North Cass Long-Term Debt \$ 535,000

Water Resource Districts' long term debt service requirements to maturity are as follows:

Southeast Cass Water Resource Districts Bonds Payable:

Governmental Activities		
Year Ending December 31	Principal	Interest
2004	\$ 1,150,000	\$ 276,421
2005	1,090,000	232,804
2006	940,000	192,890
2007	585,000	162,600
2008	375,000	143,554
2009-2013	1,855,000	484,883
2014-2019	1,289,000	107,833
Total	\$ 7,284,000	\$ 1,600,984

Maple River Water Resource Districts Bonds Payable:

Governmental Activities		
Year Ending December 31	Principal	Interest
2004	\$ 80,000	\$ 10,788
2005	75,000	5,198
2006	80,000	2,246
2007	5,000	604
2008	5,000	365
2009	5,000	123
Total	\$ 250,000	\$ 19,323

North Cass Water Resource Districts Bonds Payable:

Governmental Activities			
Year Ending December 31	Principal		Interest
2004	\$ 85,000	\$	19,779
2005	95,000		15,750
2006	100,000		11,950
2007	15,000		7,950
2008	15,000		7,350
2009-2013	75,000		27,450
2014-2018	75,000		9,375
Total	\$ 460,000	\$	99,604

North Cass Water Resource Districts Loans Payable:

Governmental Activities			
Year Ending December 31	Principal		Interest
2004	\$ 75,000	\$	875

Rush River Water Resource Districts Bonds Payable:

Governmental Activities			
Year Ending December 31	Principal		Interest
2004	\$ 30,000	\$	45,913
2005	30,000		44,413
2006	30,000		42,913
2007	35,000		41,244
2008	35,000		39,406
2009-2013	220,000		164,363
2014-2019	300,000		92,356
2020	150,000		9,000
Total	\$ 830,000	\$	479,606

The County is secondarily liable for the payment of principal and interest on water resource district bonds. These special assessment bonds are paid from the debt service funds that are funded by annual payments made by property owners directly benefiting from each project. As of December 31, 2003, the water resource districts had funds of \$2,776,679 available for payment on the special assessment bonds. The water resource district may reassess properties in the improvement district or may use general tax levies to cover deficiencies. In the event the water resource district is not able to generate funds to meet principal and interest payments, the County is also obligated to levy general tax levies to fund the deficiencies.

NOTE 8: INTERFUND ASSETS/LIABILITIES

Due From/To Other Funds		
Receivable Fund	Payable Fund	Amount
General Fund	Human Service Fund	\$ 3,429

The payable/receivable from the Human Service Fund to the General Fund is for 'in lieu of rent' due as of December 31, 2003.

NOTE 9: CONDUIT DEBT OBLIGATIONS

From time to time, the County has issued Industrial Revenue Bonds and Community Development Block Grants 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 bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the county, nor state, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2003, there were nineteen series of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$48,940,341.

NOTE 10: PENSION PLANS

The county contributes to the North Dakota Public Employees' Retirement System (NDPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota. NDPERS provides for retirement disability and survivor benefits to plan members and beneficiaries. Benefit and contribution 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, North Dakota, 58502-1214.

Plan members are required to contribute 4% of their annual covered salary. The county is required to contribute 5.12% of the employees' salary, which consists of 4.12% for employee and 1% for the retiree health benefits fund. The county has agreed to pay 100% of the member assessments in lieu of a salary increase. The contribution requirements of plan members and the county are established and may be amended by the state legislature. The county's contributions to NDPERS for the years ending December 31, 2003, 2002, and 2001 were \$1,067,770, \$987,016, and \$896,919, respectively, equal to the required contributions for the year.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2003	\$ 1,067,770	100%	-
12/31/2002	987,016	100%	-
12/31/2001	896,919	100%	-

NOTE 11: RISK MANAGEMENT

The County is exposed to various risks of loss related 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 subdivision of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and more than 2,000 political subdivisions. The County pays an annual premium to NDRIF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of two million dollars per occurrence.

The County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The county pays an annual premium to the Fire and Tornado Fund to cover property damage to building and personal property. Estimating replacement cost in consultation with the Fire and Tornado Fund provides replacement cost coverage. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period.

The State Bonding Fund currently provides the County with blanket fidelity bond coverage in the amount of \$1,500,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The County participates in the North Dakota Worker's Compensation Bureau. The County has retained risk for employee health and accident up to a maximum of \$65,000 per individual and up to 120% of actuarially expected claims. The County has purchased a stop loss policy for amounts in excess of \$65,000 per employee and 120% of actuarially expected claims. The County has sufficient reserves in the self- insurance fund to fund the retained risk. A liability for incurred but not reported claims is included on the balance sheet.

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

NOTE 12: CONTINGENT LIABILITIES

The County is a defendant in various lawsuits incident to its operations. In the opinion of County Counsel and management, such claims against the County not covered by insurance would not materially affect the financial condition of the County.

NOTE 13: RECONCILIATION OF BUDGET TO ACTUAL

The disaster assistance funds administered by the Lake Agassiz Regional Council are included on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balance-nonmajor funds. The county did not budget for these funds. Also these funds are not recorded on the county's general ledger. Therefore, these funds are not included on the Budget to Actual Statement. The differences are as follows:

	Combined Statement	Adjustments	Budget to Actual
Balance, 1/1/2003	\$ 1,475,277	\$ (75,744)	\$ 1,399,533
Receipts	3,305,645	(898,419)	2,407,226
Disbursements	2,538,897	(221,345)	2,317,552
Other Financing Sources (Uses)	1,646	(110,351)	(108,705)
Balance, 12/31/2003	\$ 2,243,673	\$ (863,169)	\$ 1,380,504

NOTE 14: PRIOR PERIOD ADJUSTMENT

As of and for the year ended December 31, 2003, the County implemented the Governmental Accounting Standards Board (GASB) No. 34, Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments. The following restatements were made to beginning net asset accounts:

Primary Government

Fund balances of governmental funds as of December 31, 2002	\$ 12,860,931
Adjustments to restate the December 31, 2002 balance:	
Taxes Receivable	519,407
Uncertified Special Assessments	277,161
Governmental Capital Assets	118,506,441
Less: Accumulated Depreciation on Governmental Capital Assets	(43,327,365)
Capital Leases Payable	(355,136)
Bonds Payable	(491,205)
Compensated Absences Payable	(866,782)
Special Assessments Payable	(94,866)
Net Assets of Governmental Activities accounted for in internal service funds	466,752
Net Assets December 31, 2002, Restated	\$ 87,495,338

**SUPPLEMENTARY
INFORMATION**

CAPITAL ASSETS

**STATISTICAL
SECTION**
