



ROBERT R. PETERSON
STATE AUDITOR

Southeast Cass Water Resource District
West Fargo, North Dakota

(A Component Unit of Cass County)

Audit Report

For the Year Ended
December 31, 2015

Office of the State Auditor

SOUTHEAST CASS WATER RESOURCE DISTRICT
West Fargo, North Dakota

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SOUTHEAST CASS WATER RESOURCE DISTRICT
West Fargo, North Dakota

DISTRICT OFFICIALS

December 31, 2015

Mark Brodshaug
Dan Jacobson
Lance Yohe

Chairman
Vice Chairman
Manager

Carol Harbeke Lewis

Secretary/Treasurer

Sean M. Fredricks

Attorney

STATE AUDITOR

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

INDEPENDENT AUDITOR’S REPORT

Governing Board
Southeast Cass Water Resource District
West Fargo, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southeast Cass Water Resource District, West Fargo, North Dakota, a component unit of Cass County, Fargo, North Dakota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Water Resource District’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Southeast Cass Water Resource District, West Fargo, North Dakota, a component unit of Cass County, Fargo, North Dakota, as of December 31, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

SOUTHEAST CASS WATER RESOURCE DISTRICT
Independent Auditor's Report - Continued

Emphasis of a Matter

As discussed in Note 24 to the financial statements, Southeast Cass Water Resource District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis and budgetary comparison information* on pages 4-9 and 36-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southeast Cass Water Resource District's basic financial statements. The *combining balance sheet – nonmajor governmental funds*, and the *combining statement of revenues, expenditures, and changes in fund balances – nonmajor governmental funds* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2016 on our consideration of Southeast Cass Water Resource District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southeast Cass Water Resource District's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
May 25, 2016

SOUTHEAST CASS WATER RESOURCE DISTRICT
West Fargo, North Dakota

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

The Management's Discussion and Analysis (MD&A) of Southeast Cass Water Resource District's financial performance provides an overall review of the District's financial activities for the fiscal year ended December 31, 2015. The intent of the MD&A is to look at the District's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

The MD&A is an element of the Required Supplementary Information specified in the Government Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain comparative information between the current fiscal year and the prior year is presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2015 are as follows:

- Net position of Southeast Cass Water Resource District increased by \$54,960,032 as a result of the current year's operations.
- Governmental net position as of the end of the fiscal year totaled \$163,543,997.
- Total revenues from all sources were \$68,401,340 on the government-wide statement of activities and \$68,925,127 on the modified accrual basis.
- Total expenses were \$13,441,309 on the government-wide statement of activities and total expenditures were \$66,030,119 on the modified accrual basis.
- The District's general fund had \$6,506,315 in total revenues and \$4,914,691 in total expenditures. Overall, the general fund balance increased by \$1,600,816 for the year ended December 31, 2015.
- A cumulative effect of change in accounting principal was necessary to properly recognize the provisions of GASB 68. Accordingly, beginning net position was reduced by \$91,869 for the beginning 2015 net pension liability. See Note 24 for more detailed information related to this cumulative effect of change in accounting principal.

USING THIS ANNUAL REPORT

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand Southeast Cass Water Resource District as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's general fund (including Southeast Cass WRD Obligated), SMFCD #1 Maintenance, SMFCD #2 Maintenance, Maple River Dam Maintenance, Drain #21M, Drain #27M, SC-1 (Drains #3, #9 and #10), Capital Project Funds, and Debt Service funds with all other governmental funds presented in total in one column.

The table below, summarizes the major features of the district's financial statements, including portions of the district's activities covered and the types of information they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the statements.

SOUTHEAST CASS WATER RESOURCE DISTRICT
 Management's Discussion and Analysis – Continued

Major Features of the Government-Wide and Fund Financial Statements		
	Fund Financial Statements	
	Government-Wide Statements	Governmental
Scope	Entire District	The activities of the district
Required Financial Statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of revenues, expenditures and changes in fund balance
Accounting Basis and Measurement Focus	Accrual Accounting and Economic Resource Focus	Modified accrual accounting and current financial resource focus
Type of Asset/Liability information	All assets and deferred outflows of resources, and liabilities and deferred inflows of resources, both financial and capital, short term and long term	Generally assets expected to be consumed and liabilities paid during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

REPORTING ON THE DISTRICT AS A WHOLE

Statement of Net Position and Statement of Activities

These statements are summaries of all the funds used by the Southeast Cass Water Resource District to provide programs and activities and attempt to answer the question “How did the District do financially during the year ended December 31, 2015?”

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

The Statement of Activities presents information on how the District's net position changed during the fiscal year. This statement is presented using the accrual basis of accounting, which means that all changes in net position 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 the statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

These two statements report the District's net position and changes in those assets. This change in net position is important because it tells the reader whether, for the District as a whole, the financial position of the District has improved or deteriorated. The causes of this change may be the result of many factors, some financial and some not.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where all of the District's programs and services are reported including, but not limited to, conservation of natural resources, capital outlay and debt service.

REPORTING ON THE DISTRICT'S MOST SIGNIFICANT FUNDS

Balance Sheet – Governmental Funds

The District uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and contributions). The fund basis financial statements allow the District to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the District's major funds. Using the criteria established by GASB Statement No. 34, the District's general fund (including Southeast Cass WRD Obligated), SMFCD #1 Maintenance, SMFCD #2 Maintenance, Maple River Dam Maintenance, Drain #21M, Drain #27M, SC-1 (Drains #3, #9 and #10), Capital Project Funds, and Debt Service Funds are considered “major funds”.

SOUTHEAST CASS WATER RESOURCE DISTRICT
 Management's Discussion and Analysis – Continued

The District's other governmental funds, which are used to account for a multitude of financial transactions, are summarized under the heading "Other Governmental Funds".

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table I reflects significant changes in Current Assets, Long-Term Assets, Capital Assets, Current Liabilities, and Long-Term Liabilities between the December 31, 2015 and December 31, 2014 fiscal years. Current assets and Capital Assets increased. Current liabilities increased in 2015 due to Drain #3 and #10, Drain #21, Drain #45, and Oxbow-Hickson-Bakke Ring Levee projects. Long-term liabilities increased.

The District's net position of \$163,543,997 is segregated into three separate categories. Net investment in capital assets represents 91% of the District's total net position. It should be noted that these assets are not available for future spending. Restricted net position represents 5% of the District's net position. Restricted net position represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted net position represents 4% of the District's net position. The unrestricted net position is available to meet the District's ongoing obligations.

TABLE I
NET POSITION
 December 31, 2015 and 2014

	12-31-15	12-31-14
<u>Assets:</u>		
Current Assets	\$ 14,550,302	\$ 7,835,137
Long-Term Assets	2,334,526	2,863,477
Capital Assets (net of accumulated depreciation)	156,165,069	104,932,628
Total Assets	<u>\$173,049,896</u>	<u>\$115,631,241</u>
Deferred Outflows of Resources	\$ 11,759	\$ -
Total Assets & Deferred Outflows of Resources	<u>\$173,061,655</u>	<u>\$115,631,241</u>
<u>Liabilities:</u>		
Current Liabilities	\$ 1,931,227	\$ 1,922,287
Long-Term Liabilities	7,576,153	5,033,120
Total Liabilities	<u>\$ 9,507,380</u>	<u>\$ 6,955,406</u>
Deferred Inflows of Resources	\$ 10,278	\$ -
Total Liabilities & Deferred Inflows of Resources	<u>\$ 9,517,658</u>	<u>\$ 6,955,406</u>
<u>NET POSITION:</u>		
Net Investment in Capital Assets	\$148,696,691	\$ 99,914,789
Restricted	8,851,328	4,256,481
Unrestricted	5,995,978	4,504,566
Total Net Position	<u><u>\$163,547,997</u></u>	<u><u>\$108,675,835</u></u>

SOUTHEAST CASS WATER RESOURCE DISTRICT
Management's Discussion and Analysis – Continued

Table II shows the changes in net position for the fiscal year ended December 31, 2015 and 2014.

Revenues	12-31-15	12-31-14
Program Revenues:		
Capital Grants & Contributions	\$ 48,931,274	\$ 14,082,624
Operating Grants & Contributions	13,252,561	5,560,188
General Revenues:		
Property Taxes & Drain Taxes	5,587,331	4,858,750
Non-restricted Grants and Contribution	175,412	216,382
Interest Earnings	14,363	17,074
Miscellaneous Revenue	440,399	81,413
Total Revenues	<u>\$ 68,401,340</u>	<u>\$ 24,816,431</u>
Expenses		
Conservation of Natural Resources	\$ 13,296,706	\$ 7,033,361
Interest and Service Charges	144,603	120,692
Total Expenses	<u>\$ 13,441,309</u>	<u>\$ 7,154,053</u>
Change in Net Position	<u>\$ 54,960,032</u>	<u>\$ 17,662,378</u>
Net Position – January 1	\$108,675,835	\$ 91,013,457
Prior Period Adjustment	(91,869)	-
Net Position – January 1, as restated	<u>\$108,583,966</u>	<u>\$ 91,013,457</u>
Net Position – December 31	<u><u>\$163,543,997</u></u>	<u><u>\$108,675,835</u></u>

Property taxes & drain taxes constituted 8%, capital grants and contributions 72%, operating and non-restricted grants and contributions 19%, non-restricted grants and contributions and interest and miscellaneous revenue 1% of the total revenues of governmental activities of the District for fiscal year 2015. Operating grants and contributions increased due to receiving Diversion Authority reimbursements on the Metro Area Flood Diversion, In-Town Levee and the Oxbow-Hickson-Bakke Ring Levee projects.

Conservation of natural resources constituted 99% and debt service 1% of total expenses for governmental activities during fiscal year 2015. Total expenses increased by \$6,287,256 from 2014 to 2015. Expenses primarily increased in various funds due to the fact of an increase in project costs.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table III shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues.

	Total Cost For Year Ended Dec. 31, 2015	Net Cost For Year Ended Dec. 31, 2015	Total Cost For Year Ended Dec. 31, 2014	Net Cost For Year Ended Dec. 31, 2014
Conservation of Natural Resources	\$13,296,706	\$48,887,129	\$7,033,361	\$12,609,451
Interest and Service Charges	144,603	(144,603)	120,692	(120,692)
Total Expenses	<u>\$13,441,309</u>	<u>\$48,742,526</u>	<u>\$7,154,053</u>	<u>\$12,488,759</u>

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The purpose of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unassigned fund balance generally can be used as a measure of the District's net resources available for spending as of the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting. The District's governmental funds had total revenue of \$68,925,127 and expenditures of \$66,030,119 for the year ended December 31, 2015. The general fund had revenues of \$6,506,315 and expenditures of \$4,914,691, while transfers in totaled \$1,729,012 and transfers out were \$1,719,820 causing a net increase in the general fund of \$1,600,816. As of December 31, 2015 the unassigned fund balance of the District's general fund was \$324,923 and the total unassigned fund balance for the entire District's governmental funds was \$(2,021,496). Restricted fund balances totaled \$8,152,426 and committed fund balances totaled \$6,948,709.

GENERAL FUND BUDGET HIGHLIGHTS

During the course of fiscal year 2015, the Southeast Cass Water Resource Board amended the District's general fund revenue budget by \$3,436,620 due to intergovernmental cost share reimbursements received from the State Water Commission and the City of Fargo. The general fund expenditure budget was amended (increased) by \$2,162,755 due to more spent on construction.

Actual revenue for the year ended December 31, 2015 was \$423,490 more than budgeted due to the adjustment of accounts receivable.

Actual expenditures for the year ended December 31, 2015 were under budget by \$256,484 due to the adjustment of accounts payable.

CAPITAL ASSETS

As of December 31, 2015, Southeast Cass Water Resource District had \$156,165,069 invested in capital assets, net of depreciation. Table IV shows the balances as of December 31, 2014 and 2015.

TABLE IV
CAPITAL ASSETS
 (Net of Accumulated Depreciation)
 December 31, 2015 and 2014

	2015	2014
Land	\$ 69,064,593	\$ 22,429,144
Construction in Progress	12,265,780	6,728,017
Facilities	45,988,279	47,422,784
Projects	28,827,417	28,332,684
Equipment	19,000	20,000
Total Capital Assets (net of accumulated depreciation)	<u>\$156,165,069</u>	<u>\$104,932,628</u>

This total represents an increase of \$51,232,441 (49%) in capital assets from January 1, 2015 primarily due to land purchases for the Metro Area Flood Diversion, In-Town Levee and Oxbow-Hickson-Bakke Ring Levee projects. For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 8 to the audited financial statements which follow this analysis.

LONG TERM LIABILITIES

As of December 31, 2015, the Southeast Cass Water Resource District had \$7,576,154 in long term liabilities, of which \$1,621,868 was due within one year. Total net bonds payable reported in the financial statements of \$6,654,378 are net of \$79,441 in unamortized bond discounts and \$38,819 in unamortized bond premium. Loans payable totaled \$814,000, compensated absences totaled \$15,758, and net pension liability totaled \$92,018.

Long-term liabilities increased by \$2,457,797 over the prior year due to the District issuing new bonds totaling \$3,995,000 and retirement of other debt.

For a detailed breakdown of the long-term debt readers are referred to Note 15 to the audited financial statements which follow this analysis.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our taxpayers and creditors with a general overview of Southeast Cass Water Resource Districts' finances and to show the District's accountability for the money it receives. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Carol Harbeke Lewis, Secretary-Treasurer, Southeast Cass Water Resource District, 1201 Main Avenue West, West Fargo, ND 58078-1301.

SOUTHEAST CASS WATER RESOURCE DISTRICT
West Fargo, North Dakota

STATEMENT OF NET POSITION
December 31, 2015

	Governmental Activities
ASSETS:	
Cash and Cash Equivalents	\$ 11,528,096
Due from County	19,914
Taxes Receivable	55,005
Special Assessments Receivable	3,880
Intergovernmental Receivable	2,943,407
Long-Term Receivables:	
Uncertified Special Assessments Receivable	2,334,526
Capital Assets (not being depreciated):	
Land	69,064,593
Construction in Progress	12,265,780
Capital Assets (being depreciated)	
Facilities	45,988,279
Projects	28,827,417
Equipment	19,000
Total Capital Assets	<u>\$156,165,069</u>
Total Assets	<u>\$173,049,896</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Pensions	<u>\$ 11,759</u>
Total Assets & Deferred Outflows of Resources	<u>\$173,061,655</u>
LIABILITIES:	
Accounts Payable	1,384,872
Benefits Payable	26,906
Retainages Payable	494,323
Interest Payable	25,126
Long-Term Liabilities:	
Due Within One Year:	
Bonds Payable (net of related costs)	1,546,110
Loan Payable	60,000
Compensated Absences Payable	15,757
Due After One Year:	
Bonds Payable (net of related costs)	5,108,268
Loans Payable	754,000
Net Pension Liability	92,018
Total Liabilities	<u>\$ 9,507,380</u>
DEFERRED INFLOWS OF RESOURCES:	
Pensions	<u>\$ 10,278</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 9,517,658</u>
NET POSITION:	
Net Investment in Capital Assets	\$148,696,691
Restricted for:	
Capital Projects	1,845,243
Debt Service	1,257,205
Conservation of Natural Resources	5,748,881
Unrestricted	<u>5,995,978</u>
Total Net Position	<u>\$163,543,997</u>

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

SOUTHEAST CASS WATER RESOURCE DISTRICT
West Fargo, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>				
Conservation of Natural Resources	\$ 13,296,706	\$ 13,252,561	\$ 48,931,274	\$ 48,887,129
Interest on Long-Term Debt	144,603	-	-	(144,603)
Total Governmental Activities	\$ 13,441,309	\$ 13,252,561	\$ 48,931,274	\$ 48,742,526
<u>General Revenues:</u>				
Taxes:				
General Taxes				\$ 2,020,953
Drain Taxes				3,566,379
Non-restricted Grants and Contributions				175,412
Interest Earnings				14,363
Miscellaneous Revenue				440,399
Total General Revenues				\$ 6,217,505
Change in Net Position				\$ 54,960,032
Net Position - January 1				\$ 108,675,835
Prior Period Adjustment				(91,869)
Net Assets - January 1, as restated				108,583,966
Net Position - December 31				\$ 163,543,997

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

SOUTHEAST CASS WATER RESOURCE DISTRICT
West Fargo, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2015

	Major Funds						
	General	SMFCD #1 Maint.	SMFCD #2 Maint.	Maple River Dam Maint.	Drain #21M	Drain #27M	Drain SC-1 (3,9, and 10)
ASSETS							
Cash and Cash Equivalents	\$4,817,142	\$ -	\$ 308,701	\$ 742,411	\$1,446,853	\$1,255,531	\$ 902,787
Intergovernmental Receivable	510,932	-	-	-	648,527	-	-
Due from County	4,905	1,893	3,413	1,624	367	2,395	949
Due from Other Funds	2,138,590	-	-	-	-	-	913,504
Taxes Receivable	14,990	3,588	9,596	4,041	948	8,220	6,788
Special Assessments Receivable	-	-	-	-	-	-	-
Total Assets	\$7,486,559	\$ 5,481	\$ 321,710	\$ 748,076	\$2,096,695	\$1,266,145	\$1,824,028
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ 175,947	\$ 3,082	\$ 34,149	\$ 8,388	\$ 34	\$ -	\$ 339,609
Benefits Payable	21,991	4,915	-	-	-	-	-
Due to Other Funds	-	913,504	-	-	-	-	-
Total Liabilities	\$ 197,938	\$ 921,501	\$ 34,149	\$ 8,388	\$ 34	\$ -	\$ 339,609
Deferred Inflows of Resources:							
Taxes Receivable	\$ 14,990	\$ 3,588	\$ 9,596	\$ 4,041	\$ 948	\$ 8,220	\$ 6,788
Special Assessments Receivable	-	-	-	-	-	-	-
Total Deferred Inflows of Resources	\$ 14,990	\$ 3,588	\$ 9,596	\$ 4,041	\$ 948	\$ 8,220	\$ 6,788
Total Liabilities and Deferred Inflows of Resources	\$ 212,927	\$ 925,089	\$ 43,745	\$ 12,428	\$ 982	\$ 8,220	\$ 346,397
Fund Balances:							
Restricted	\$ -	\$ -	\$ 277,965	\$ 735,648	\$2,095,713	\$1,257,925	\$1,477,631
Committed	6,948,709	-	-	-	-	-	-
Unassigned	324,923	(919,607)	-	-	-	-	-
Total Fund Balances	\$7,273,631	\$ (919,607)	\$ 277,965	\$ 735,648	\$2,095,713	\$1,257,925	\$1,477,631
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$7,486,559	\$ 5,481	\$ 321,710	\$ 748,076	\$2,096,695	\$1,266,145	\$1,824,028

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

Capital Project Funds	Debt Service Funds	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,275,983	\$ 778,688	\$ 11,528,096
1,783,948	-	-	2,943,407
-	2,467	1,900	19,914
-	-	248,996	3,301,091
-	-	6,834	55,005
-	3,880	-	3,880
<u>\$ 1,783,948</u>	<u>\$ 1,282,331</u>	<u>\$ 1,036,418</u>	<u>\$ 17,851,392</u>

\$ 789,670	\$ -	\$ 33,994	\$ 1,384,872
-	-	-	26,906
<u>2,138,590</u>	<u>-</u>	<u>248,996</u>	<u>3,301,091</u>
<u>\$ 2,928,261</u>	<u>\$ -</u>	<u>\$ 282,990</u>	<u>\$ 4,712,868</u>

\$ -	\$ -	\$ 6,834	\$ 55,005
-	3,880	-	3,880
<u>\$ -</u>	<u>\$ 3,880</u>	<u>\$ 6,834</u>	<u>\$ 58,885</u>

<u>\$ 2,928,261</u>	<u>\$ 3,880</u>	<u>\$ 289,824</u>	<u>\$ 4,771,754</u>
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\$ -	\$ 1,278,451	\$ 1,029,093	\$ 8,152,426
-	-	-	6,948,709
<u>(1,144,313)</u>	<u>-</u>	<u>(282,498)</u>	<u>(2,021,496)</u>
<u>\$ (1,144,313)</u>	<u>\$ 1,278,451</u>	<u>\$ 746,595</u>	<u>\$ 13,079,639</u>

<u>\$ 1,783,948</u>	<u>\$ 1,282,331</u>	<u>\$ 1,036,418</u>	<u>\$ 17,851,392</u>
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SOUTHEAST CASS WATER RESOURCE DISTRICT
West Fargo, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2015

Total <i>Fund Balances</i> for Governmental Funds		\$ 13,079,639
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Total *net position* reported for governmental activities in the statement of net position is different because:

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

Cost of Capital Assets	\$ 187,712,670	
Less Accumulated Depreciation	<u>(31,547,601)</u>	
Net Capital Assets		156,165,069

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.

Taxes Receivable	\$ 55,005	
Special Assessments Receivable	<u>3,880</u>	58,885

Long-Term Uncertified Special Assessments receivable are not reported in the funds because they are unavailable to pay the current period's expenditures. 2,334,526

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

Deferred Outflows Related to Pensions	\$ 11,759	
Deferred Inflows Related to Pensions	<u>(10,278)</u>	1,481

Long-term liabilities applicable to the water resource district's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term- are reported in the statement of net position. Balances at December 31, 2015 are made up of the following liabilities:

Bonds Payable	\$ (6,695,000)	
Unamortized Bond Discount	79,441	
Unamortized Bond Premium	(38,819)	
Loan Payable	(814,000)	
Interest Payable	(25,126)	
Retainages Payable	(494,323)	
Compensated Absences	(15,757)	
Net Pension Liability	<u>(92,018)</u>	
Total Long-Term Liabilities		<u>(8,095,602)</u>

Total Net Position - Governmental Activities		<u>\$ 163,543,997</u>
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The notes to the financial statements are an integral part of this statement.

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SOUTHEAST CASS WATER RESOURCE DISTRICT
West Fargo, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2015

	Major Funds						
	General	SMFCD #1 Maint.	SMFCD #2 Maint.	Maple River Dam Maint.	Drain #21M	Drain #27M	Drain SC-1 (3,9, and 10)
Revenues:							
Taxes	\$ 2,023,088	\$ 492,788	\$ 304,468	\$ 651,536	\$ 152,456	\$ 519,862	\$ 683,590
Special Assessments	-	-	-	-	-	-	-
Intergovernmental	4,435,895	35,388	55,592	48	648,527	-	-
Interest Income	6,359	-	300	724	485	1,477	1,906
Miscellaneous	40,973	4,111	2,310	48,604	-	-	-
Total Revenues	\$ 6,506,315	\$ 532,287	\$ 362,670	\$ 700,913	\$ 801,468	\$ 521,339	\$ 685,495
Expenditures:							
Current:							
Conservation of Natural Resources	\$ 4,834,791	\$ 122,657	\$ 65,278	\$ 188,765	\$ 262,866	\$ 4,270	\$ 105,800
Capital Outlay	79,900	26,112	31,605	54,625	696,935	-	2,426,137
Debt Service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Service Fees	-	-	-	-	-	-	-
Total Expenditures	\$ 4,914,691	\$ 148,769	\$ 96,883	\$ 243,391	\$ 959,801	\$ 4,270	\$ 2,531,937
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,591,624	\$ 383,518	\$ 265,787	\$ 457,522	\$ (158,333)	\$ 517,070	\$(1,846,442)
Other Financing Sources (Uses):							
Transfers In	\$ 1,729,012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Proceeds	-	-	-	-	2,277,150	-	1,717,850
Debt Bond Discount	-	-	-	-	(28,464)	-	(21,473)
Debt Bond Premium	-	-	-	-	23,233	-	17,527
Bond Issuance Costs	-	-	-	-	-	-	-
Transfers Out	(1,719,820)	(367,225)	(166,640)	-	(11,500)	(516,181)	(8,500)
Total Other Financing Sources and Uses	\$ 9,192	\$ (367,225)	\$ (166,640)	\$ -	\$ 2,260,419	\$ (516,181)	\$ 1,705,404
Net Change in Fund Balances	\$ 1,600,816	\$ 16,293	\$ 99,147	\$ 457,522	\$ 2,102,086	\$ 889	\$ (141,038)
Fund Balance - January 1	\$ 5,672,815	\$ (935,900)	\$ 178,818	\$ 278,126	\$ (6,373)	\$ 1,257,037	\$ 1,618,670
Fund Balance - December 31	\$ 7,273,631	\$ (919,607)	\$ 277,965	\$ 735,648	\$ 2,095,713	\$ 1,257,925	\$ 1,477,631

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

Capital Project Funds	Debt Service Funds	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 756,204	\$ 5,583,992
-	656,111	-	656,111
57,054,320	-	491	62,230,262
-	1,410	1,701	14,363
344,402	-	-	440,399
<u>\$57,398,722</u>	<u>\$ 657,522</u>	<u>\$ 758,397</u>	<u>\$ 68,925,127</u>
\$ -	\$ -	\$ 213,458	\$ 5,797,885
54,283,176	-	981,504	58,579,994
-	1,548,299	-	1,548,299
-	94,501	-	94,501
-	9,440	-	9,440
<u>\$54,283,176</u>	<u>\$ 1,652,239</u>	<u>\$ 1,194,962</u>	<u>\$ 66,030,119</u>
<u>\$ 3,115,546</u>	<u>\$ (994,718)</u>	<u>\$ (436,565)</u>	<u>\$ 2,895,009</u>
\$ 25,109	\$ 1,070,046	\$ -	\$ 2,824,168
-	-	-	3,995,000
-	-	-	(49,938)
-	-	-	40,760
-	(21,900)	-	(21,900)
-	(34,302)	-	(2,824,168)
<u>\$ 25,109</u>	<u>\$ 1,013,844</u>	<u>\$ -</u>	<u>\$ 3,963,922</u>
<u>\$ 3,140,655</u>	<u>\$ 19,127</u>	<u>\$ (436,565)</u>	<u>\$ 6,858,931</u>
<u>\$ (4,284,968)</u>	<u>\$ 1,259,324</u>	<u>1,183,160</u>	<u>\$ 6,220,708</u>
<u>\$ (1,144,313)</u>	<u>\$ 1,278,451</u>	<u>\$ 746,595</u>	<u>\$ 13,079,639</u>

SOUTHEAST CASS WATER RESOURCE DISTRICT
West Fargo, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

Net Change in *Fund Balances* - Total Governmental Funds \$ 6,858,931

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

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

Capital Asset Additions	\$ 53,359,887	
Current Year Depreciation Expense	<u>(2,127,446)</u>	51,232,441

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

Debt Proceeds	\$ (3,995,000)	
Bond Discounts	49,938	
Bond Premium	(40,760)	
Repayment of Debt	<u>1,548,299</u>	(2,437,523)

Collections on uncertified special assessments is a revenue in the governmental funds, but the collection reduces the long-term receivable in the statement of net position. This is the amount of receivable collection. Issuance of uncertified special assessments increases a long-term receivable via a capital grant/contribution. The issuance of long-term special assessments are not reported in the funds as the assets are not available soon enough after year-end to pay current period expenditures.

Collection on Long-Term Receivable		(528,951)
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Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Increase in Compensated Absences	\$ (478)	
Amortization of Bond Discounts	(14,956)	
Amortization of Bond Premium	1,941	
Net Increase in Retainage Payable	(152,122)	
Net Increase in Interest Payable	<u>(5,747)</u>	(171,362)

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

Increase in Net Pension Liability	\$ (6,780)	
Increase in Deferred Outflows of Resources Related to Pensions	1,752	
Decrease in Deferred Inflows of Resources Related to Pensions	<u>6,361</u>	1,332

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the increase in taxes receivable and special assessments receivable.

5,164

Change in Net Position of Governmental Activities		<u><u>\$ 54,960,032</u></u>
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The notes to the financial statements are an integral part of this statement.

SOUTHEAST CASS WATER RESOURCE DISTRICT
West Fargo, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Southeast Cass Water Resource District, West Fargo, North Dakota, a component unit of Cass County, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

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

Based on these criteria, there are no component units to be included within the Southeast Cass Water Resource District as a reporting entity. Southeast Cass Water Resource District is a component unit within Cass County, Fargo, North Dakota reporting entity.

B. Basis of Presentation

Government-wide statements: The statement of net position and the statement of activities display information about the primary government, Southeast Cass Water Resource District. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, special assessments, and intergovernmental revenues.

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

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

The Water Resource District reports the following major governmental funds:

General Fund (including Southeast Cass WRD Obligated Funds) – this is the District’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The obligated funds are used to account for the accumulation of resources set aside for the Maple River Dam Project, other WRD projects and certain Red River Joint WRD projects. This fund also is used to account for expenditures related to the Maple River Dam capital project.

Sheyenne-Maple Flood Control District #1 Maintenance – this fund is used to account for yearly drain maintenance and improvements. Special assessments are levied to tax payers in the applicable drain district and used for maintaining drains and improvement projects when necessary. The major source of revenue is a restricted tax levy.

Sheyenne-Maple Flood Control District #2 Maintenance – this fund is used to account for yearly drain maintenance and improvements. Special assessments are levied to tax payers in the applicable drain district and used for maintaining drains and improvement projects when necessary. The major source of revenue is a restricted tax levy.

Maple River Dam (Maintenance) - this fund is used to account for yearly drain maintenance and improvements. Special assessments are levied to tax payers in the applicable drain district and used for maintaining drains and improvement projects when necessary. The major source of revenue is a restricted tax levy.

Drain #21M (Maintenance) – this fund is used to account for yearly drain maintenance and improvements. Special assessments are levied to tax payers in the applicable drain district and used for maintaining drains and improvement projects when necessary. The major source of revenue is a restricted tax levy.

Drain #27M (Maintenance) – this fund is used to account for yearly drain maintenance and improvements. Special assessments are levied to tax payers in the applicable drain district and used for maintaining drains and improvement projects when necessary. The major source of revenue is a restricted tax levy.

SC-1 (Maintenance) - this fund is used to account for yearly drain maintenance and improvements for Drains #3, #9 and #10. Special assessments are levied to tax payers in the applicable drain district and used for maintaining drains and improvement projects when necessary. The major source of revenue is a restricted tax levy.

Capital Project Funds – this fund is used to account for the resources accumulated and payments made for project costs related to the Amber Plains Drainage, Chrisan-Maple Prairie Flood Control, Normanna Township Improvement, Kensington Sewer, Bakke Sewer, Round Hill Sewer Improvement District, Harwood Township, Wild Rice River Bank Stabilization, Oxbow-Hickson-Bakke Ring Levee, In-Town Levee, Lake Bertha Flood Control and Raymond-Mapleton Township Improvement District #76 construction projects.

Debt Service Funds – this fund is used to account for the resources accumulated and payments made for principal and interest on special assessment bond debts for Sheyenne-Maple Flood Control District #1, Sheyenne-Maple Flood Control District #2, Drains #3 and #10, Drain #21, Drain #27, Harwood Township #65, St. Benedicts, Eagle Run, Holmen’s Brink, Maple Grove, Normanna, Maple River Dam, Kensington, Bakke Subdivision, Round Hill Sewer and Wild Rice River Estate Bank Stabilization.

C. 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. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving)

equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year when all eligibility requirements have been satisfied.

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

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

D. Cash, Cash Equivalents and Investments

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

E. Capital Assets

Capital assets, which include land, equipment and infrastructure assets (drains, dams, channel improvements, etc.), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets in governmental funds is not capitalized.

Capital assets are depreciated using the straight-line method of the following estimated useful lives:

Asset Type:	Years
Equipment	10 Years
Infrastructure Assets:	
Facilities	50 years
Major Projects	50 years

F. Compensated Absences

Vested or accumulated vacation leave is payable to the Secretary-Treasurer, Accountant and Administrative Assistant upon separation from employment. 240 hours of vacation may be carried over at year-end. No liability is reported for accumulated sick leave as it is not the employer's policy to pay for it when the employee separates from service. All vacation pay is accrued when incurred into the government-wide financial statements.

G. Long-Term Obligations

In the government-wide financial statements, long term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums, discounts and issuance costs are capitalized and amortized over the life of the related bond issue using the straight-line method.

SOUTHEAST CASS WATER RESOURCE DISTRICT
Notes to the Financial Statements – Continued

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

H. Pension

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

I. Fund Balances / Net Position

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

Fund Balance Spending Policy:

It is the policy of Southeast Cass Water Resource District to spend restricted resources first, followed by unrestricted resources. It is also the policy of the Board to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

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

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

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

TABLE CONTINUED ON NEXT PAGE...

SOUTHEAST CASS WATER RESOURCE DISTRICT
Notes to the Financial Statements – Continued

CONTINUED...

Unassigned	<p>Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification.</p> <p>(a) The General Fund is the only fund that can report a positive unassigned fund balance.</p> <p>(b) A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.</p>	Available for any remaining general fund expenditure.
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Southeast Cass Water Resource District only has restricted, committed and unassigned fund balances at December 31, 2015.

Restricted & Committed Fund Balances – consist of the following items at December 31, 2015:

Restricted fund balances are shown by primary function on the balance sheet for conservation of natural resources, debt service and capital outlay. Restricted fund balances are restricted by enabling legislation (primarily state law for tax levies) and by outside 3rd parties (State & Federal governments).

Committed fund balance exists in the general function and is committed by the highest level of decision making authority (governing board).

Special Revenue Funds – Restricted & Committed Fund Balances:

- (a) Restricted by specified tax levies and/or restricted Federal & State grants/reimbursements:
 - Restricted tax levies – includes fund balances for various tax levies other than the general fund.
 - Restricted grants/reimbursements – primarily includes state water commission funds and other grant funds.
- (b) Committed funds by the governing board – funds are committed by the governing board (highest level of decision making authority) in the General Funds for Southeast Cass Obligated Funds for pending projects, project development and other projects that do not have restricted funds.

Net Position:

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

Prior to GASB 63, amounts were reported as equity on the statement of net assets in three primary categories (invested in capital assets net of related debt, restricted and unrestricted). Subsequent to GASB 63, the statement of net assets was changed to the statement of net position, and net assets equity was changed to net position. Net position is shown in three primary categories (net investment in capital assets, restricted, and unrestricted), outlined in further detail as follows:

Net investment in capital assets (net of related debt) is shown for the cost of capital assets less any related depreciation on depreciable capital assets, and any related debt, where applicable, to finance the acquisition or construction of those related capital assets.

Restrictions of net position shown in the net position statement are due to restricted tax levies and restricted Federal & State grants/reimbursements, and are restricted for construction, maintenance, bridge replacement and repair, floor repair, health & welfare, emergencies and other purposes.

Unrestricted net position consists of activity primarily related to the general fund, any other resources not restricted for specific purposes, and reclassifications of negative restricted net position.

J. Interfund Transactions

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

All other transactions, except reimbursements, are reported as transfers. In the government-wide financial statements, interfund transactions have been eliminated.

NOTE 2: DISTRICT ESTABLISHMENT

The legislature of the State of North Dakota abolished, effective July 1, 1981, the Cass County Drain Board that had authority over the legal drains in the county. The administrative and financial responsibilities were transferred to individual water resource boards. Since there were special assessment districts established and legal drains constructed in and through more than one water resource district, it was determined that it would be too cumbersome and expensive to administer and account for the finances of the legal drains based on the portion or part of tracts of land contained in the individual districts. An agreement was entered into dated May 27, 1982 between the North Cass, Maple River, Rush River, and Southeast Cass Water Resource Boards to set out the administrative and financial responsibilities that each of the water resource boards shall exercise over certain overlapping legal drains as follows:

- Maple River shall have administrative and financial control over legal drains #14, 35 and 36.
- Rush River shall have administrative and financial control over legal drains #29 and 52.
- North Cass shall have administrative and financial control over legal drain #13 with the following exceptions:
 - (a) Any maintenance expenditure for a sum of \$5,000 or more shall not be undertaken except with the consultation and expressed consent of the Rush River Water Resource Board.
 - (b) Any extension or additions to the drain shall not be undertaken except with the consultation and expressed consent of the Rush River Water Resource Board.
 - (c) No change in the legal status of the drain shall be undertaken except with the consultation and expressed consent of the Rush River Water Resource Board.

In the event of a termination, all funds deposited with the water resource board having administrative and financial control over legal drains shall be divided with respect to such legal drain among the water resource boards in whose district the special assessment district is located and shall be divided in such proportion as the physical area of the special assessment district located in each water resource district bears to the total area of such special assessment district.

NOTE 3: DEPOSITS

In accordance with North Dakota Statutes, the Southeast Cass Water Resource District maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

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

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

At year ended December 31, 2015, the water resource district's carrying amount of deposits was \$11,528,096 and the bank balance was \$11,573,042 of the bank balances, \$299,960 was covered by Federal Depository Insurance. The remaining bank balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk:

The water resource district may invest idle funds as authorized in North Dakota Statutes, as follows:

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

As of December 31, 2015, the water resource district did not have any certificates of deposit.

Concentration of Credit Risk:

The water resource district does not have a limit on the amount it may invest in any one issuer.

NOTE 4: TAXES AND SPECIAL ASSESSMENTS RECEIVABLE

Taxes and special assessments receivable represent the past three years of delinquent uncollected taxes and special assessments levies/billings. No allowance has been established for uncollectible taxes and special assessments receivable since any losses would be covered by the sale of the property.

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

SOUTHEAST CASS WATER RESOURCE DISTRICT

Notes to the Financial Statements – Continued

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

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the 5% discount on the property taxes.

NOTE 5: DUE FROM COUNTY

The due from county represents tax amounts collected prior to year-end by Cass County not distributed to the district at year-end.

NOTE 6: INTERGOVERNMENTAL RECEIVABLE

This represents amounts owed from Maple River WRD, North Cass WRD and Rush River WRD for cost share reimbursements on office expenses and from the state treasurer for revenue sharing.

NOTE 7: UNCERTIFIED SPECIAL ASSESSMENTS RECEIVABLE

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 remaining life of applicable special assessment bonds.

NOTE 8: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2015:

Governmental Activities:	Balance January 1	Increases	Decreases	Transfer	Balance December 31
<i>Capital assets not being depreciated:</i>					
Land	\$ 22,429,144	\$46,635,449	\$ -	\$ -	\$ 69,064,593
Construction in Progress	6,728,017	6,725,238	800	(1,186,675)	12,265,780
Total Capital Assets Not Being Depreciated	\$ 29,157,161	\$53,360,687	\$800	\$(1,186,675)	\$ 81,330,373
<i>Capital assets being depreciated:</i>					
Facilities	\$ 71,725,211	\$ -	\$ -	\$ -	\$ 71,725,211
Projects	33,410,412	-	-	1,186,675	34,597,087
Equipment	60,000	-	-	-	60,000
Total Capital Assets, Being Depreciated	\$105,195,623	\$ -	\$ -	\$ 1,186,675	\$106,382,298
<i>Less Accumulated Depreciation for:</i>					
Facilities	\$ 24,302,427	\$ 1,434,504	\$ -		\$ 25,736,931
Projects	5,077,728	691,942			5,769,670
Equipment	40,000	1,000			41,000
Total Accumulated Depreciation	\$ 29,420,155	\$ 2,127,446	\$ -	\$ -	\$ 31,547,601
Total Capital Assets Being Depreciated, Net	\$ 75,775,468	\$(2,127,446)	\$ -	\$ 1,186,675	\$ 74,834,697
Governmental Activities Capital Assets, Net	\$104,932,628	\$51,233,241	\$800	\$ -	\$156,165,069

SOUTHEAST CASS WATER RESOURCE DISTRICT
Notes to the Financial Statements – Continued

NOTE 9: DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources in the government wide financial statements consist of amounts related to pensions.

NOTE 10: ACCOUNTS & RETAINAGES PAYABLE

Accounts payable consists of amounts owed for goods or services received prior to year-end and chargeable to the appropriations for the year then ended but paid subsequent to that date. Retainages payable consists of amounts owed to vendors and contractors on open construction contracts for the Drains #3 and #10, Drain #21, Drain #45 and Oxbow-Hickson-Bakke Ring Levee projects not yet completed at year-end.

NOTE 11: BENEFITS PAYABLE

Benefits payable represents the amount payable for benefits withheld at year-end.

NOTE 12: DUE TO OTHER FUNDS & DUE FROM OTHER FUNDS

Due to and due from other funds on the governmental funds modified accrual balance sheet represents the amount of pooled cash borrowed by major funds SFMCD #1, Capital Project funds and various non-major funds as outlined in the non-major funds combining balance sheet totaling \$3,301,091 covered by the General Fund, Drain SC-1 and Drain #53.

NOTE 13: DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the government wide financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the accrual basis of accounting, such amounts include the amount for pensions.

Deferred inflows of resources consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. The amount in the governmental fund statements represents the levied, but uncollected, taxes and special assessments receivable.

NOTE 14: INTEREST PAYABLE

Interest payable represents the amount payable on all special assessment bond and loan interest at year-end.

NOTE 15: LONG-TERM LIABILITIES

Changes in Long-Term Liabilities - During the year ended December 31, 2015, the following changes occurred in liabilities reported in long-term liabilities:

	Balance 1-1-15	Increases	Decreases	Balance 12-31-15	Due Within One Year
Bonds Payable	\$4,190,000	\$3,995,000	\$1,490,000	\$6,695,000	\$1,560,000
Less Deferred Amounts:					
Bond Discount	44,460	49,937	14,956	79,441	19,712
Bond Premium	-	(40,760)	(1,941)	(38,819)	(5,823)
Total Bonds Payable	\$4,145,540	\$3,985,823	\$1,476,985	\$6,654,378	\$1,546,110
Loans Payable	\$ 872,299	\$ -	\$ 58,299	\$ 814,000	\$ 60,000
Compensated Absences	\$ 15,280	\$ 8,042	\$ 7,564	\$ 15,758	\$ 15,758
Net Pension Liability	85,238	6,780		92,018	-
TOTAL	\$5,118,357	\$4,000,645	\$1,542,848	\$7,576,154	\$1,621,868

SOUTHEAST CASS WATER RESOURCE DISTRICT
Notes to the Financial Statements – Continued

Long-term debt at December 31, 2015 is comprised of the following:

Special Assessment Bonds:

\$3,345,000, 2011 Improvement Bonds, Series B, due in annual installments of \$405,000 to \$525,000 through 2017; interest at 1.55% to 1.75%	\$ 930,000
\$780,000, 2011 Improvement Bonds, Series A, due in annual installments of \$145,000 through 2017; interest at 1.60% to 1.75%	290,000
\$910,000 2013 Refunding Improvement Bonds, due in annual installments of \$60,000 to \$250,000 through 2018; interest at .650% to .850%.	375,000
\$3,995,000, 2015 Improvement Bonds, due in annual installments of \$430,000 to \$740,000 through 2021; interest at .50% to 2.00%	3,995,000
\$1,880,000 2011 Improvement Bonds due in annual installments of \$210,000 to \$235,000 through 2020; interest at 2.70%.	<u>1,105,000</u>
Total Special Assessment Bonds Payable	<u>\$6,695,000</u>

Loans Payable:

\$214,000 1998 State Revolving Loan Fund Municipal Bond Bank, due in annual installments of \$14,000 to \$15,000 through 2018; interest at 2.5%.	\$ 44,000
\$408,755 State Revolving Loan Fund loan drawdown. Due in annual installments of \$15,000 to \$25,000 through 2031; interest at 2.50%.	360,000
\$443,299 State Revolving Loan Fund loan drawdown. Due in annual installments of \$30,000 to \$45,000 through 2026; interest at 2.50%.	<u>410,000</u>
Total Loans Payable	<u>\$ 814,000</u>
Total Gross Long-term Liabilities (excluding Compensated Absences and Net Pension Liability)	<u>\$7,509,000</u>

The annual requirements to amortize all debt outstanding, excluding compensated absences as of December 31, 2015 are as follows:

GOVERNMENTAL ACTIVITIES				
Year Ending December 31	Special Assessment Bonds Payable		Loans Payable	
	Principal	Interest	Principal	Interest
2016	\$1,560,000	\$100,466	\$ 65,000	\$ 20,350
2017	1,520,000	79,985	70,000	18,725
2018	975,000	62,755	69,000	16,975
2019	940,000	45,850	55,000	15,250
2020	960,000	25,223	55,000	13,875
2021 – 2025	740,000	7,400	305,000	47,875
2026 – 2030	-	-	170,000	13,625
2031 – 2035	-	-	25,000	625
TOTALS	\$6,695,000	\$321,679	\$814,000	\$147,300

NOTE 16: PENSION PLAN

General Information about the NDPERS Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). The annual pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

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

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

Member and Employer Contributions

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

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

At December 31, 2015, Southeast Cass Water Resource District reported a liability of \$92,018 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability was based on the district's share of covered payroll in the main system pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2015, the Employer's proportion was .013532 percent, which was an increase of .000103 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Employer recognized pension expense of \$8,871. At December 31, 2015, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 2,669	\$ -
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	635	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	1,942
Changes of Assumptions	-	8,198
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	137
District Contributions Subsequent to the Measurement Date	8,455	-
Total	\$11,759	\$10,278

SOUTHEAST CASS WATER RESOURCE DISTRICT

Notes to the Financial Statements – Continued

\$8,455 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2015.

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

2016	\$ (2,392)
2017	(2,392)
2018	(2,392)
2019	1,622
2020	(1,421)

Actuarial Assumptions

The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary Increases	3.85% per annum for four years, then 4.50% per annum
Investment Rate of Return	8.00%, net of investment expenses
Cost-of-Living Adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table with ages set back three years. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (not set back for females).

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2010. They are the same as the assumptions used in the July 1, 2014, funding actuarial valuation for NDPERS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.55%
International Fixed Income	5%	.90%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2014, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014.

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
District's Proportionate Share of Net Pension Liability	\$141,105	\$92,018	\$51,856

Pension Plan Fiduciary Net Position

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

NOTE 17: JOINT VENTURES

Red River Joint Water Resource District

Under authorization of state statutes, the Southeast Cass Water Resource District joined North Cass Water Resource District, Rush River Water Resource District, Maple River Water Resource District, and the water resource districts of Southeast Cass Water Resource District, 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 the water management districts located within the Red River Valley. Known as the Red River Joint Water Resource Board, the agreement was established for the mutual advantage of the governments. Each government appoints one member of the board of directors for the joint venture. The operating and capital expenses are funded by contributions from each government. Each government's share of assets, liabilities, and fund equity cannot be determined as no provision is made for this in the joint venture agreement and each government's contribution each year depends on where Red River Joint Water Resource Board projects are being undertaken.

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2015, which is the most current audited information available:

Total Assets	\$ 7,770,996
Total Liabilities	<u>104,554</u>
Net Position	<u>7,666,442</u>
Revenues	2,423,290
Expenses	<u>2,582,765</u>
Change in Net Position	<u>\$ (159,475)</u>

SOUTHEAST CASS WATER RESOURCE DISTRICT
 Notes to the Financial Statements – Continued

Complete financial statements for the Red River Joint Water Resource District may be obtained from the Treasurer’s office at Red River Joint Water Resource District, 1201 Main Avenue West, West Fargo, ND 58078.

Metro Flood Diversion Authority

In June of 2011, the Cass County Joint Water Resource District, the City of Fargo, ND, City of Moorhead, MN, Clay County of MN, Cass County of ND, and the Buffalo Red River Watershed District entered into a joint powers agreement for the purpose of building and operating a flood diversion channel along the Red River of the North to reduce the flood risk of the stakeholder communities and counties. The Diversion Authority and its members worked with the United States Army Corps of Engineers on the FM Metro Flood Risk Management Feasibility Study to develop the flood diversion channel project plan.

This joint powers agreement will continue to be in full force and effect until it is terminated upon unanimous approval of the members to this Agreement. Additional information regarding the authority may be obtained by contacting: Flood Diversion Board of Authority, Box 2806, 211 Ninth Street South, Fargo, ND 58108.

NOTE 18: DEFICIT CASH FUND BALANCES

The water resource district had the following deficit cash fund balances at December 31, 2015:

Funds	Amounts
Special Revenue Funds:	
SMFCD #1 Maintenance	\$ (913,504)
Drain #21C	(15,786)
Drain #45M	(36,074)
Drain #47M	(117,485)
Drain #50M	(17,490)
Normanna Township Imp #60	(51,438)
Holmen’s Stormwater 2004-1	(10,723)
Capital Project Funds:	(2,138,590)

The water resource district anticipates eliminating the deficits by reducing future disbursements in these funds, by issuing debt or transferring monies to relieve the deficits.

NOTE 19: RISK MANAGEMENT

Southeast Cass Water Resource District 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 subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Southeast Cass Water Resource District is covered under Cass County’s insurance policies and pays an annual premium to NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence.

The State Bonding Fund currently provides the Southeast Cass Water Resource District with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

SOUTHEAST CASS WATER RESOURCE DISTRICT

Notes to the Financial Statements – Continued

The Southeast Cass Water Resource District has worker’s compensation with the Workforce, Safety and Insurance and purchases commercial insurance for employee health and accident insurance.

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

NOTE 20: CONSTRUCTION COMMITMENTS

The Southeast Cass Water Resource District has the following open construction contracts with balances owing at December 31, 2015:

Location	Project	Contract Amount	Total Completed	Retainage	Remaining Balance
Drain #3/#10	Channel Improvements	\$1,846,195	\$1,816,445	\$ 92,310	\$ 242,059
Drain #21	Channel Improvements	1,592,726	774,372	77,437	895,791
Drain #45	Channel Improvements	685,898	625,020	34,054	94,933
Oxbow	OHB Ring Levee	3,304,877	2,854,815	285,482	735,543
Oxbow	Demo 345 Schnell/745 RBR	50,400	45,360	5,040	10,080
	TOTAL	\$7,480,096	\$6,116,012	\$494,323	\$1,978,406

NOTE 21: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The board of water resource district commissioners amended the water resource district budget for 2015 as follows:

Fund	REVENUES & TRANSFERS IN		
	Original Budget	Amendment	Amended Budget
<u>Major Funds:</u>			
General Fund	\$2,856,390	\$ 3,436,620	\$ 6,293,010
SMFCD #1	490,130	40,145	530,275
SMFCD #2	304,900	53,960	358,860
Drain #21	76,465	2,348,105	2,424,570
SC-1 (Drains #3, #9, and #10)	342,720	2,059,195	2,401,915
Capital Project Funds	-	55,952,020	55,952,020
Debt Service Funds	1,364,245	389,760	1,754,005
<u>Non Major Funds:</u>			
Drain #40	187,670	184,420	372,090
Drain #45	109,215	108,585	217,800

SOUTHEAST CASS WATER RESOURCE DISTRICT
Notes to the Financial Statements – Continued

Fund	EXPENDITURES & TRANSFERS OUT		
	Original Budget	Amendment	Amended Budget
<u>Major Funds:</u>			
General Fund	\$3,106,390	\$ 2,162,755	\$ 5,269,145
SMFCD #1	670,000	(140,230)	529,770
SMFCD #2	365,000	(124,650)	240,350
Maple River Dam	300,000	167,835	467,835
Drain #21	700,000	272,085	972,085
Drain #27	50,000	470,455	520,455
SC-1 (Drains #3, #9 and #10)	2,000,000	200,870	2,200,870
Capital Project Funds	25,110	54,596,420	54,621,530
Debt Service Funds	1,319,245	400,295	1,719,540
<u>Non Major Funds:</u>			
Drain #21C	10,000	(6,825)	3,175
Drain #45	500,000	251,300	751,300
Drain #47	5,000	96,050	101,050
Drain #50	500	1,665	2,165
Drain #51	500	1,980	2,480
Drain #53	500,000	(342,850)	157,150
Normanna Twp. Imp. District #60	1,000	32,355	33,355
Holmen's Stormwater Imp. District	500	2,345	2,845

NOTE 22: TRANSFERS

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2015:

	Transfers In	Transfers Out
<u>Major Funds:</u>		
General Fund	\$1,729,012	\$1,719,820
Sheyenne-Maple #1 Maintenance	-	367,225
Sheyenne-Maple #2 Maintenance	-	166,640
Drain #21	-	11,500
Drain #27	-	516,181
SC-1 (Drains #3, #9, and #10)	-	8,500
Capital Project Funds	25,110	-
Debt Service Funds	1,070,046	34,302
Total Transfers	\$2,824,168	\$2,824,168

Transfers are used to move unrestricted general revenue to finance programs that the water resource district accounts for in other funds in accordance with budget authority and to subsidize other programs.

NOTE 23: SUBSEQUENT EVENTS

On May 22, 2014, both bodies of Congress have now passed a bill into law which authorizes construction on the Fargo-Moorhead Area Diversion Project. The U.S. Senate has joined the House in signing the Water Resources Reform and Development Act (WRRDA), which is the latest step to acquiring federal funding for the Project which will build permanent flood protection for approximately 200,000 people in North Dakota and Minnesota. President Obama is expected to sign the bill into law in the coming days.

SOUTHEAST CASS WATER RESOURCE DISTRICT

Notes to the Financial Statements – Continued

WRRDA authorizes \$846 million in federal funding for the Diversion Project. The State of North Dakota has already committed \$175 million to the Project, in addition to legislative intent for an additional \$275 million over the next four bienniums. Voters in the City of Fargo and Cass County have overwhelmingly approved two dedicated local sales taxes to help fund the Project. With modest growth, the sales taxes are expected to jointly raise \$700 million over the life of the tax.

Following a presidential signature, the Diversion Authority would focus efforts on securing funding to begin construction on the Diversion Project. Federal funding is expected to be appropriated over time. Funding from the State of North Dakota can only be used for the Diversion once federal funding for construction is received.

NOTE 24: PRIOR PERIOD ADJUSTMENTS

Change in Accounting Principle – GASB 68 Pensions:

Net position as of January 1, 2015, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The result of implementing GASB 68 resulted in a reduction to beginning net position.

Governmental Activities	Amounts
Beginning Net Position, as previously reported	\$108,675,835
Adjustments to restate January 1, 2015 Net Position:	
Net Pension Liability	(85,238)
Deferred Outflows of Resources Related to Pensions	10,007
Deferred Inflows of Resources Related to Pensions	(16,639)
Net Position January 1, as restated	\$108,583,966

SOUTHEAST CASS WATER RESOURCE DISTRICT
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 1,632,680	\$ 2,024,535	\$ 2,023,088	\$ (1,447)
Intergovernmental	1,198,210	4,008,905	4,435,895	426,990
Interest Income	7,500	7,500	6,359	(1,141)
Miscellaneous	18,000	41,885	40,973	(913)
Total Revenues	\$ 2,856,390	\$ 6,082,825	\$ 6,506,315	\$ 423,490
<u>Expenditures:</u>				
Current:				
Conservation of Natural Resources	\$ 2,856,390	\$ 5,132,410	\$ 4,834,791	\$ 297,619
Capital Outlay	250,000	136,735	79,900	56,835
Total Expenditures	\$ 3,106,390	\$ 5,269,145	\$ 4,914,691	\$ 354,454
Excess (Deficiency) of Revenues Over Expenditures	\$ (250,000)	\$ 813,680	\$ 1,591,624	\$ 777,944
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ 210,185	\$ 1,729,012	\$ 1,518,827
Transfers Out	-	-	(1,719,820)	(1,719,820)
Total Other Financing Sources and Uses	\$ -	\$ 210,185	\$ 9,192	\$ (200,993)
Net Changes in Fund Balances	\$ (250,000)	\$ 1,023,865	\$ 1,600,816	\$ 576,951
Fund Balance - January 1	\$ 5,672,815	\$ 5,672,815	\$ 5,672,815	\$ -
Fund Balance - December 31	\$ 5,422,815	\$ 6,696,680	\$ 7,273,631	\$ 576,951

The accompanying required supplementary information notes are an integral part of this schedule.

SOUTHEAST CASS WATER RESOURCE DISTRICT
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE
SMFCD #1 MAINTENANCE FUND
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 490,130	\$ 530,275	\$ 492,788	\$ (37,487)
Intergovernmental	-	-	35,388	35,388
Miscellaneous	-	-	4,111	4,111
Total Revenues	<u>\$ 490,130</u>	<u>\$ 530,275</u>	<u>\$ 532,287</u>	<u>\$ 2,012</u>
<u>Expenditures:</u>				
Current:				
Conservation of Natural Resources	\$ 670,000	\$ 529,770	\$ 122,657	\$ 407,113
Capital Outlay	-	-	26,112	(26,112)
Total Expenditures	<u>\$ 670,000</u>	<u>\$ 529,770</u>	<u>\$ 148,769</u>	<u>\$ 381,001</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (179,870)</u>	<u>\$ 505</u>	<u>\$ 383,518</u>	<u>\$ 383,013</u>
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ -	\$ -	\$ (367,225)	\$ (367,225)
Net Changes in Fund Balances	<u>\$ (179,870)</u>	<u>\$ 505</u>	<u>\$ 16,293</u>	<u>\$ 15,788</u>
Fund Balance - January 1	<u>\$ (935,900)</u>	<u>\$ (935,900)</u>	<u>\$ (935,900)</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ (1,115,770)</u>	<u>\$ (935,395)</u>	<u>\$ (919,607)</u>	<u>\$ 15,788</u>

The accompanying required supplementary information notes are an integral part of this schedule.

SOUTHEAST CASS WATER RESOURCE DISTRICT
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE
SMFCD #2 MAINTENANCE FUND
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 304,900	\$ 358,860	\$ 304,468	\$ (54,392)
Intergovernmental	-	-	55,592	55,592
Interest Income	-	-	300	300
Miscellaneous	-	-	2,310	2,310
Total Revenues	\$ 304,900	\$ 358,860	\$ 362,670	\$ 3,810
<u>Expenditures:</u>				
Current:				
Conservation of Natural Resources	\$ 365,000	\$ 240,350	\$ 65,278	\$ 175,072
Capital Outlay	-	-	31,605	(31,605)
Total Expenditures	\$ 365,000	\$ 240,350	\$ 96,883	\$ 143,467
Excess (Deficiency) of Revenues Over Expenditures	\$ (60,100)	\$ 118,510	\$ 265,787	\$ 147,277
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ -	\$ -	\$ (166,640)	\$ (166,640)
Net Changes in Fund Balances	\$ (60,100)	\$ 118,510	\$ 99,147	\$ (19,363)
Fund Balance - January 1	\$ 581,181	\$ 581,181	\$ 178,818	\$ (402,363)
Fund Balance - December 31	\$ 521,081	\$ 699,691	\$ 277,965	\$ (421,726)

The accompanying required supplementary information notes are an integral part of this schedule.

SOUTHEAST CASS WATER RESOURCE DISTRICT
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE
MAPLE RIVER DAM MAINTENANCE FUND
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 650,355	\$ 650,355	\$ 651,536	\$ 1,181
Intergovernmental	-	-	48	48
Interest Income	-	-	724	724
Miscellaneous	-	-	48,604	48,604
Total Revenues	<u>\$ 650,355</u>	<u>\$ 650,355</u>	<u>\$ 700,913</u>	<u>\$ 50,558</u>
<u>Expenditures:</u>				
Current:				
Conservation of Natural Resources	\$ 300,000	\$ 467,835	\$ 188,765	\$ 279,070
Capital Outlay	-	-	54,625	(54,625)
Total Expenditures	<u>\$ 300,000</u>	<u>\$ 467,835</u>	<u>\$ 243,391</u>	<u>\$ 224,444</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 350,355</u>	<u>\$ 182,520</u>	<u>\$ 457,522</u>	<u>\$ 275,002</u>
Fund Balance - January 1	<u>\$ 278,126</u>	<u>\$ 278,126</u>	<u>\$ 278,126</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 628,481</u>	<u>\$ 460,646</u>	<u>\$ 735,648</u>	<u>\$ 275,002</u>

The accompanying required supplementary information notes are an integral part of this schedule.

SOUTHEAST CASS WATER RESOURCE DISTRICT
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE
DRAIN #21 FUND
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 76,465	\$ 2,424,570	\$ 152,456	\$(2,272,114)
Intergovernmental	-	-	648,527	648,527
Interest Income	-	-	485	485
Total Revenues	\$ 76,465	\$ 2,424,570	\$ 801,468	\$(1,623,102)
<u>Expenditures:</u>				
Current:				
Conservation of Natural Resources	\$ 700,000	\$ 972,085	\$ 262,866	\$ 709,219
Capital Outlay	-	-	696,935	(696,935)
Total Expenditures	\$ 700,000	\$ 972,085	\$ 959,801	\$ 12,284
Excess (Deficiency) of Revenues Over Expenditures	\$ (623,535)	\$ 1,452,485	\$ (158,333)	\$(1,610,818)
<u>Other Financing Sources (Uses):</u>				
Bond Proceeds	\$ -	\$ -	\$ 2,277,150	\$ 2,277,150
Bond Discount	-	-	(28,464)	(28,464)
Bond Premium	-	-	23,233	23,233
Transfers Out	-	-	(11,500)	(11,500)
Total Other Financing Sources and Uses	\$ -	\$ -	\$ 2,260,419	\$ 2,260,419
Net Changes in Fund Balances	\$ (623,535)	\$ 1,452,485	\$ 2,102,086	\$ 649,601
Fund Balance - January 1	\$ (6,373)	\$ (6,373)	\$ (6,373)	\$ -
Fund Balance - December 31	\$ (629,908)	\$ 1,446,112	\$ 2,095,713	\$ 649,601

The accompanying required supplementary information notes are an integral part of this schedule.

SOUTHEAST CASS WATER RESOURCE DISTRICT
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE
DRAIN #27M FUND
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 521,485	\$ 521,485	\$ 519,862	\$ (1,623)
Interest Income	-	-	1,477	1,477
Total Revenues	<u>\$ 521,485</u>	<u>\$ 521,485</u>	<u>\$ 521,339</u>	<u>\$ (146)</u>
<u>Expenditures:</u>				
Current:				
Conservation of Natural Resources	\$ 50,000	\$ 520,455	\$ 4,270	\$ 516,185
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 471,485</u>	<u>\$ 1,030</u>	<u>\$ 517,070</u>	<u>\$ 516,040</u>
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ -	\$ -	\$ (516,181)	\$ (516,181)
Net Changes in Fund Balances	<u>\$ 471,485</u>	<u>\$ 1,030</u>	<u>\$ 889</u>	<u>\$ (141)</u>
Fund Balance - January 1	<u>\$ 1,257,037</u>	<u>\$ 1,257,037</u>	<u>\$ 1,257,037</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 1,728,522</u>	<u>\$ 1,258,067</u>	<u>\$ 1,257,925</u>	<u>\$ (141)</u>

The accompanying required supplementary information notes are an integral part of this schedule.

SOUTHEAST CASS WATER RESOURCE DISTRICT
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE
DRAIN SC-1 (Drain 3, 9 and 10) MAINTENANCE FUND
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 342,720	\$ 2,401,915	\$ 683,590	\$ (1,718,325)
Interest Income	-	-	1,906	1,906
Total Revenues	<u>\$ 342,720</u>	<u>\$ 2,401,915</u>	<u>\$ 685,495</u>	<u>\$ (1,716,420)</u>
<u>Expenditures:</u>				
Current:				
Conservation of Natural Resources	\$ 2,000,000	\$ 2,200,870	\$ 105,800	\$ 2,095,070
Capital Outlay	-	-	2,426,137	(2,426,137)
Total Expenditures	<u>\$ 2,000,000</u>	<u>\$ 2,200,870</u>	<u>\$ 2,531,937</u>	<u>\$ (331,067)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,657,280)</u>	<u>\$ 201,045</u>	<u>\$ (1,846,442)</u>	<u>\$ (2,047,487)</u>
<u>Other Financing Sources (Uses):</u>				
Bond Proceeds	\$ -	\$ -	\$ 1,717,850	\$ 1,717,850
Bond Discount	-	-	(21,473)	(21,473)
Bond Premium	-	-	17,527	17,527
Transfers Out	-	-	(8,500)	(8,500)
Total Other Financing Sources and Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,705,404</u>	<u>\$ 1,705,404</u>
Net Changes in Fund Balances	<u>\$ (1,657,280)</u>	<u>\$ 201,045</u>	<u>\$ (141,038)</u>	<u>\$ (342,083)</u>
Fund Balance - January 1	<u>\$ 748,100</u>	<u>\$ 748,100</u>	<u>\$ 1,618,670</u>	<u>\$ 870,570</u>
Fund Balance - December 31	<u>\$ (909,180)</u>	<u>\$ 949,145</u>	<u>\$ 1,477,631</u>	<u>\$ 528,487</u>

The accompanying required supplementary information notes are an integral part of this schedule.

SOUTHEAST CASS WATER RESOURCE DISTRICT
West Fargo, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2015

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

- The water resource board adopts an “appropriated budget” on a basis consistent with accounting principles generally accepted in the United States (GAAP) for the general fund, each special revenue fund and debt service fund of the district.
- The budget includes proposed expenditures and means of financing them.
- The water resource district holds a public hearing where any taxpayer may appear and shall be heard in favor of or against any proposed disbursements or tax levies. When the hearing shall have been concluded, the board shall adopt such estimate as finally is determined upon. All taxes shall be levied in specific amounts and shall not exceed the amount specified in the published estimates. NDCC 11-23-04
- The water resource board, on or before the October meeting shall determine the amount of taxes that shall be levied for county purposes and shall levy all such taxes in specific amounts. NDCC 11-23-05
- The water resource board must file the budget with the county auditor by October 10th.
- Each budget is controlled by the water resource district secretary/treasurer at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared. NDCC 57-15-31.1
- All appropriations lapse at year-end.

NOTE 2: EXPENDITURES IN EXCESS OF BUDGET

During fiscal year 2015, the Southeast Cass Water Resource District had the following fund expenditures in excess of budgeted amounts:

	Budget	Actual	Excess
<u>Special Revenue Funds:</u>			
Drain SC-1	\$2,200,870	\$2,531,937	\$(331,067)
Drain #21C	3,175	3,195	(20)
Drain #45	751,300	785,292	(33,992)
Drain #47	101,050	101,157	(107)
Drain #50	2,165	2,182	(17)
Normanna Imp. #60	33,355	33,382	(27)
Holmen’s & Brink Drain	2,845	2,854	(9)

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

SOUTHEAST CASS WATER RESOURCE DISTRICT

Notes to the Required Supplementary Information – Continued

NOTE 3: SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY ND PUBLIC EMPLOYEE'S RETIREMENT SYSTEM (NDPERS)

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

	2014	2015
District's proportion of the net pension liability (asset)	0.013429%	0.013532%
District's proportionate share of the net pension liability (asset)	\$ 85,238	\$ 92,018
District's covered-employee payroll	\$113,123	\$120,559
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	75.35%	76.33%
Plan fiduciary net position as a percentage of the total pension liability	77.70%	77.15%

*Complete data for this schedule is not available prior to 2014.

NOTE 4: SCHEDULE OF EMPLOYER CONTRIBUTIONS ND PUBLIC EMPLOYEE'S RETIREMENT SYSTEM (NDPERS)

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

	2014	2015
Statutorily required contribution	\$ 8,054	\$ 8,584
Contributions in relation to the statutorily required contribution	\$ (8,054)	\$ (8,584)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$113,123	\$120,559
Contributions as a percentage of covered-employee payroll	7.12%	7.12%

*Complete data for this schedule is not available prior to 2014.

SOUTHEAST CASS WATER RESOURCE DISTRICT
West Fargo, North Dakota

COMBINING BALANCE SHEET - NON-MAJOR FUNDS
For the Year Ended December 31, 2015

	Drain #21C	Drain #35M	Drain #40M	Drain #45M	Drain #47M	Drain #50M
ASSETS						
Cash and Cash Equivalents	\$ -	\$ 15,747	\$ 199,407	\$ -	\$ -	\$ -
Taxes Receivable	803	1	3,466	755	-	947
Due from County	-	-	461	492	-	-
Due from Other Funds	-	-	-	-	-	-
Total Assets	\$ 803	\$ 15,748	\$ 203,335	\$ 1,246	\$ -	\$ 947
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ -	\$ -	\$ -	\$ 33,994	\$ -	\$ -
Due to Other Funds	15,786	-	-	36,074	117,485	17,490
Total Liabilities	\$ 15,786	\$ -	\$ -	\$ 70,068	\$ 117,485	\$ 17,490
Deferred Inflows of Resources:						
Taxes Receivable	\$ 803	\$ 1	\$ 3,466	\$ 755	\$ -	\$ 947
Total Liabilities and Deferred Inflows of Resources	\$ 16,589	\$ 1	\$ 3,466	\$ 70,822	\$ 117,485	\$ 18,437
Fund Balances:						
Restricted	\$ -	\$ 15,747	\$ 199,869	\$ -	\$ -	\$ -
Unassigned	(15,786)	-	-	(69,576)	(117,485)	(17,490)
Total Fund Balances	\$(15,786)	\$ 15,747	\$ 199,869	\$(69,576)	\$(117,485)	\$(17,490)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 803	\$ 15,748	\$ 203,335	\$ 1,246	\$ -	\$ 947

Drain #51M	Drain #53M	County Acres 2001-6	Normanna Twp. #60	Holmen's Storm- water	Harwood Twp. Impr. #65	Total Nonmajor Governmental Funds
\$ 18,118	\$ 522,495	\$ 16,264	\$ -	\$ -	\$ 6,657	\$ 778,688
-	665	-	177	20	-	6,834
-	947	-	-	-	-	1,900
-	248,996	-	-	-	-	248,996
<u>\$ 18,118</u>	<u>\$ 773,103</u>	<u>\$ 16,264</u>	<u>\$ 177</u>	<u>\$ 20</u>	<u>\$ 6,657</u>	<u>\$ 1,036,418</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,994
-	-	-	51,438	10,723	-	248,996
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,438</u>	<u>\$ 10,723</u>	<u>\$ -</u>	<u>\$ 282,990</u>
\$ -	\$ 665	\$ -	\$ 177	\$ 20	\$ -	\$ 6,834
<u>\$ -</u>	<u>\$ 665</u>	<u>\$ -</u>	<u>\$ 51,615</u>	<u>\$ 10,743</u>	<u>\$ -</u>	<u>\$ 289,824</u>
\$ 18,118	\$ 772,438	\$ 16,264	\$ -	\$ -	\$ 6,657	\$ 1,029,093
-	-	-	(51,438)	(10,723)	-	(282,498)
<u>\$ 18,118</u>	<u>\$ 772,438</u>	<u>\$ 16,264</u>	<u>\$ (51,438)</u>	<u>\$ (10,723)</u>	<u>\$ 6,657</u>	<u>\$ 746,595</u>
<u>\$ 18,118</u>	<u>\$ 773,103</u>	<u>\$ 16,264</u>	<u>\$ 177</u>	<u>\$ 20</u>	<u>\$ 6,657</u>	<u>\$ 1,036,418</u>

SOUTHEAST CASS WATER RESOURCE DISTRICT
West Fargo, North Dakota

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS - NON-MAJOR FUNDS
For the Year Ended December 31, 2015

	Drain #21C	Drain #35M	Drain #40M	Drain #45M	Drain #47M	Drain #50M
<u>Revenues:</u>						
Taxes	\$ 39,975	\$ 5,621	\$ 372,153	\$ 217,685	\$ 10,903	\$ 5,241
Intergovernmental	203	-	-	-	184	-
Interest Income	-	17	255	592	-	-
Total Revenues	\$ 40,177	\$ 5,638	\$ 372,408	\$ 218,277	\$ 11,087	\$ 5,241
<u>Expenditures:</u>						
Current:						
Conserv. of Natural Resources	\$ 3,195	\$ 2,195	\$ 3,078	\$ 117,956	\$ (94,328)	\$ 2,182
Capital Outlay	-	-	200,000	667,336	97,742	-
Total Expenditures	\$ 3,195	\$ 2,195	\$ 203,078	\$ 785,292	\$ 3,414	\$ 2,182
Excess (Deficiency) of Revenues Over Expenditures	\$ 36,982	\$ 3,443	\$ 169,330	\$ (567,015)	\$ 7,673	\$ 3,060
Net Change in Fund Balances	\$ 36,982	\$ 3,443	\$ 169,330	\$ (567,015)	\$ 7,673	\$ 3,060
Fund Balance - January 1	\$ (52,768)	\$ 12,304	\$ 30,538	\$ 497,439	\$ (125,158)	\$ (20,550)
Fund Balance - December 31	\$ (15,786)	\$ 15,747	\$ 199,869	\$ (69,576)	\$ (117,485)	\$ (17,490)

Drain #51M	Drain #53M	County Acres 2001-6	Normanna Twp #60	Holmen's Stormwater	Harwood Twp. Impr. #65	Nonmajor Governmental Funds
\$ 1,336	\$ 79,891	\$ 2,938	\$ 14,218	\$ 4,122	\$ 2,120	\$ 756,204
-		-	105	-	-	491
19	796	16	-	-	6	1,701
<u>\$ 1,355</u>	<u>\$ 80,687</u>	<u>\$ 2,954</u>	<u>\$ 14,323</u>	<u>\$ 4,122</u>	<u>\$ 2,127</u>	<u>\$ 758,397</u>
\$ 2,477	\$ 157,147	\$ -	\$ 16,702	\$ 2,854	\$ -	\$ 213,458
-	-	-	16,425	-	-	981,504
<u>\$ 2,477</u>	<u>\$ 157,147</u>	<u>\$ -</u>	<u>\$ 33,127</u>	<u>\$ 2,854</u>	<u>\$ -</u>	<u>\$ 1,194,962</u>
<u>\$ (1,122)</u>	<u>\$ (76,460)</u>	<u>\$ 2,954</u>	<u>\$ (18,804)</u>	<u>\$ 1,268</u>	<u>\$ 2,127</u>	<u>\$ (436,565)</u>
<u>\$ (1,122)</u>	<u>\$ (76,460)</u>	<u>\$ 2,954</u>	<u>\$ (18,804)</u>	<u>\$ 1,268</u>	<u>\$ 2,127</u>	<u>\$ (436,565)</u>
<u>\$ 19,240</u>	<u>\$ 848,897</u>	<u>\$ 13,311</u>	<u>\$ (32,634)</u>	<u>\$ (11,990)</u>	<u>\$ 4,530</u>	<u>\$ 1,183,160</u>
<u>\$ 18,118</u>	<u>\$ 772,438</u>	<u>\$ 16,264</u>	<u>\$ (51,438)</u>	<u>\$ (10,723)</u>	<u>\$ 6,657</u>	<u>\$ 746,595</u>

STATE AUDITOR

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

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

Independent Auditor's Report

Governing Board
Southeast Cass Water Resource District
West Fargo, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southeast Cass Water Resource District, West Fargo, North Dakota, a component unit of Cass County, Fargo, North Dakota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Southeast Cass Water Resource District's basic financial statements, and have issued our report thereon dated May 25, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *schedule of findings and questioned costs*, we identified one deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying *schedule of findings and questioned costs* to be a material weakness [2015-001].

Compliance and Other Matters

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

SOUTHEAST CASS WATER RESOURCE DISTRICT

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

Southeast Cass Water Resource District's Response to Findings

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

Purpose of this Report

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



Robert R. Peterson
State Auditor

Fargo, North Dakota
May 25, 2016

SOUTHEAST CASS WATER RESOURCE DISTRICT
West Fargo, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued?

Governmental Activities	Unmodified
Major Governmental Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal Control Over Financial Reporting:

Material weaknesses identified?	<u> X </u> Yes	<u> </u> No
Significant deficiencies identified?	<u> </u> Yes	<u> X </u> None reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> None reported

Section II - Financial Statement Findings

2015-001 – LACK OF SEGREGATION OF DUTIES

Condition:

Southeast Cass Water Resource District has one secretary/treasurer and one accountant responsible for the primary accounting functions. A lack of segregation of duties exists as two employees are responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and perform bank reconciliations.

Criteria:

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

Effect:

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the water resource district's financial condition.

Recommendation:

Due to the size, complexity and the economic realities of the water resource district, it is presently not feasible to obtain proper separation of duties. We recommend that if it becomes feasible to segregate duties in the future, that duties are segregated to the extent possible to reduce the potential risk of loss.

Views of Responsible Officials:

We agree that a lack of segregation of duties exists and if the board does hire more administration that duties will be further segregated to the extent possible. We understand that this will be a repeated recommendation due to the limited number of staff employed by the Water Resource District.

STATE AUDITOR

ROBERT R. PETERSON
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Local Government Division:
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MANAGER – DAVID MIX
Phone: (701) 239-7252 Fax: (701) 239-7251

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

Governing Board
Southeast Cass Water Resource District
West Fargo, North Dakota

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Southeast Cass Water Resource District, West Fargo, North Dakota, a component unit of Cass County, Fargo, North Dakota, for the year ended December 31, 2015 which collectively comprise the Water Resource District's basic financial statements, and have issued our report thereon dated May 25, 2016. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated April 5, 2016, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

In planning and performing our audit, we considered Southeast Cass Water Resource District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on internal control over financial reporting.

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

SIGNIFICANT ACCOUNTING POLICIES/QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Southeast Cass Water Resource District are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2015. GASB Statement 68 (Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27), and GASB Statement 71 (Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68) were adopted during the year ended December 31, 2015. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

CORRECTED AND UNCORRECTED MISSTATEMENTS

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

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated May 25, 2016.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

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

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

OTHER AUDIT FINDINGS OR ISSUES

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

This information is intended solely for the use of the governing board and management of the Southeast Cass Water Resource District, is not intended to be, and should not be used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of Southeast Cass Water Resource District for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve Southeast Cass Water Resource District.



Robert R. Peterson
State Auditor

Fargo, North Dakota
May 25, 2016

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