

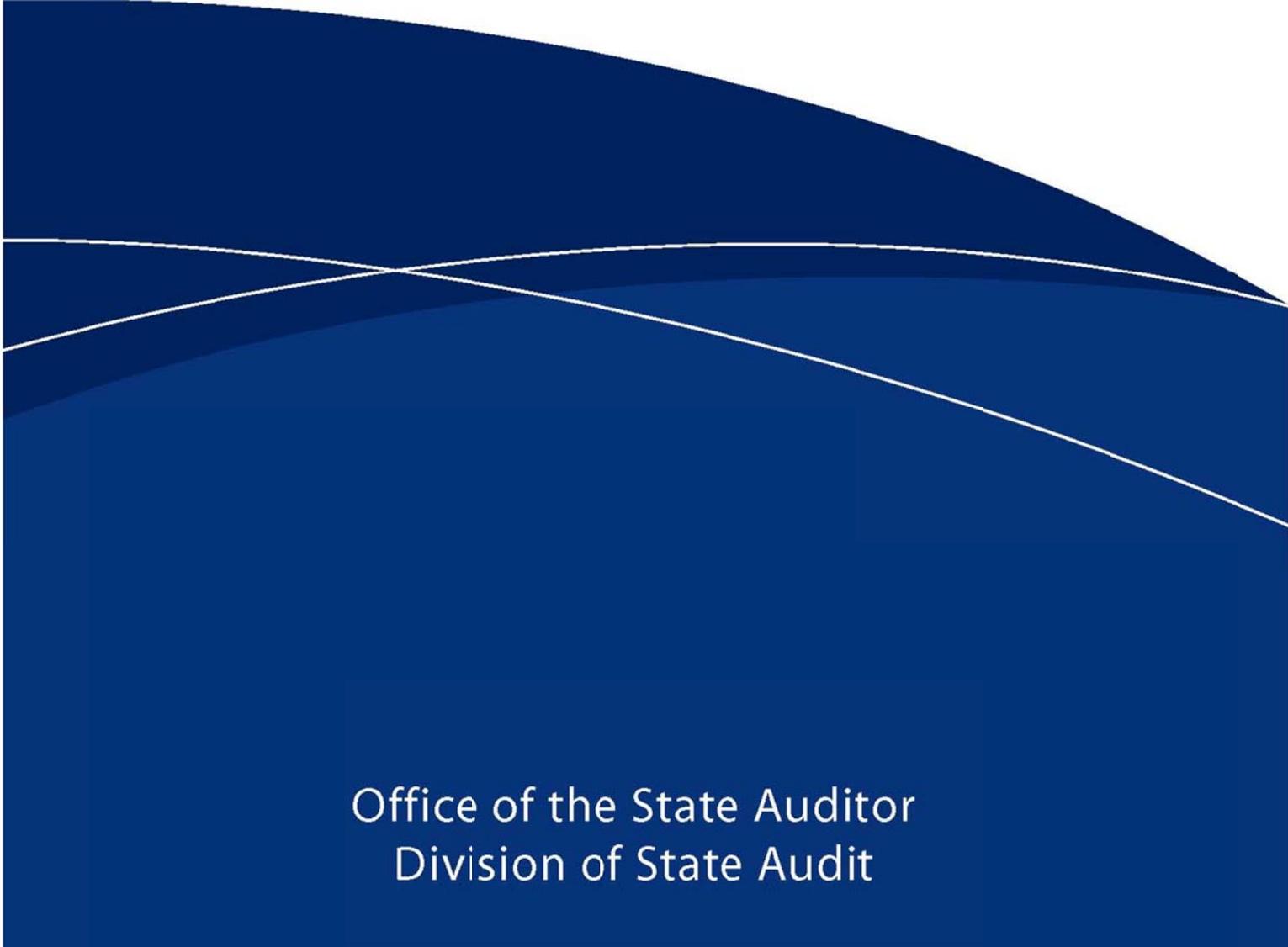


NORTH DAKOTA OILSEED COUNCIL
BISMARCK, NORTH DAKOTA

Audit Report

For the Two Year Period Ended
June 30, 2010

ROBERT R. PETERSON
STATE AUDITOR



Office of the State Auditor
Division of State Audit

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Independent Auditor's Report

Honorable Jack Dalrymple, Governor

Members of the Legislative Assembly

Members of the North Dakota Oilseed Council

Art Ridl, Chairman North Dakota Oilseed Council

We have audited the special-purpose statement of revenues and expenditures of the North Dakota Oilseed Council for the two year period ended June 30, 2010. These special-purpose financial statements are the responsibility of the management of the North Dakota Oilseed Council. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, 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 special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall special-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, these special-purpose financial statements are intended to present the revenues and expenditures of only that portion of the governmental activities of the state of North Dakota that is attributable to the transactions of the North Dakota Oilseed Council. They do not purport to, and do not, present fairly the financial position of the state of North Dakota, in conformity with accounting principles generally accepted in the United States of America.

The accompanying special-purpose financial statements were prepared to provide state decision makers, including the Senate and House Agriculture Committees, with a comprehensive overview of the North Dakota Oilseed Council's operations in accordance with NDCC section 4-24-10. The revenues and expenditures are reported as discussed in the first note to the special-purpose financial statements. These special-purpose financial statements are not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the revenues and expenditures of the North Dakota Oilseed Council for the two year period ended June 30, 2010, in conformity with the basis of accounting described in Note 1 to the special-purpose financial statements.

Our audit was made for the purpose of forming an opinion on the special-purpose financial statements taken as a whole. The Detailed Comparative Statement of Revenues and Expenditures subsequent to the notes is presented for purposes of additional analysis and is not a required part of the special-purpose financial statements of the North Dakota Oilseed Council. The Detailed Comparative Statement of Revenues and Expenditures has been subjected to the auditing procedures applied in the audit of the special-purpose financial statement and in our opinion, is fairly stated in all material respects in relation to the special-purpose financial statement taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2010 on our consideration of the North Dakota Oilseed Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information of the Governor, North Dakota Oilseed Council, Legislative Audit and Fiscal Review Committee, the Senate and House agriculture committees and management of the North Dakota Oilseed Council and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

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

Robert R. Peterson
State Auditor

December 14, 2010



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***

Honorable Jack Dalrymple, Governor

Members of the Legislative Assembly

Members of the North Dakota Oilseed Council

Art Ridl, Chairman North Dakota Oilseed Council

We have audited the special-purpose financial statement of revenues and expenditures of the North Dakota Oilseed Council as of and for the two years ended June 30, 2010 and have issued our report thereon dated December 14, 2010. Our report was modified to indicate the statement of revenue and expenditures was prepared in accordance with NDCC section 4-24-10 and is not intended to be a presentation in conformity with generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the North Dakota Oilseed Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the special-purpose financial statements, but not for the purpose of expressing an opinion on the effectiveness of the North Dakota Oilseed Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the North Dakota Oilseed Council's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the North Dakota Oilseed Council's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North Dakota Oilseed Council's special-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, noncompliance with which could have a direct and material effect on the determination of special-purpose 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*.

This report is intended solely for the information and use of the North Dakota Oilseed Council, Legislative Audit and Fiscal Review Committee, and members of the North Dakota Legislative Assembly, and is not intended to be and should not be used by anyone other than these specified parties.



Robert R. Peterson
State Auditor

December 14, 2010

Comparative Statement of Revenues and Expenditures (Budgetary Basis)

North Dakota Oilseed Council

For the Years Ended June 30, 2010 and 2009

<u>Revenues</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Assessments (Net of refunds of \$85,682 and 37,773)	\$ 1,291,475	\$ 791,461
Interest on Investments	7,667	11,690
Total Revenues	<u>\$ 1,299,142</u>	<u>\$ 803,151</u>
<u>Expenditures and Other Uses</u>		
Professional Services	\$ 938,871	\$ 858,051
Salaries and Benefits	69,980	65,503
Operating Expenses	34,976	63,953
Transfers Out		79,500
Total Expenditures	<u>\$ 1,043,827</u>	<u>\$ 1,067,007</u>
Revenues Over (Under) Expenditures and Other Uses	<u>\$ 255,315</u>	<u>\$ (263,856)</u>

See Notes to the Special-Purpose Financial Statements

Notes to the Special-Purpose Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The responsibility for these special-purpose financial statements, the internal control structure, and compliance with laws and regulations belongs to the management of the North Dakota Oilseed Council. A summary of the significant accounting policies follows:

A. Reporting Entity

For financial reporting purposes, the North Dakota Oilseed Council includes all funds, programs, and activities over which it is financially accountable. The North Dakota Oilseed Council does not have any component units as defined by the Government Accounting Standards Board. The North Dakota Oilseed Council is part of the state of North Dakota as a reporting entity. The special-purpose financial statements report all expenditure activity in the administration program.

B. Reporting Structure

The special-purpose financial statements include all activities of the reporting entity as defined above. These activities are funded from fund 245 (the North Dakota Oilseed Council's operating fund). The statement of revenues and expenditures is a combined statement to give the users an overview of the agency's activity.

C. Basis of Accounting

Revenues and expenditures on the statement of revenues and expenditures are principally reported on the modified accrual basis of accounting which is generally accepted accounting principles (GAAP) for governmental fund types. Because of the unique nature of North Dakota's accounting system and its appropriation laws, there are at times differences between the way expenditures are appropriated and GAAP. These differences are discussed below.

Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount can be determined, available means due and collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered available if they are collected within one year after fiscal year end. Expenditures are recorded when goods or services are received. Exceptions include: principal and interest expenditures which are recorded when due; compensated absences which are recorded when paid; and, claims and judgments.

As stated above, there can be differences between revenues and expenditures reported on the state's accounting system and budget basis and those reported by the Office of Management and Budget in the state's CAFR in accordance with GAAP. Basically there are two types of differences: accounting and statutory.

Accounting differences can include:

- A. Loan receipts and loan disbursements are accounted for as revenues and expenditures on the state's accounting system (and at times are budgeted as expenditures).
- B. Revenue reported on the statement of revenues and expenditures can differ from GAAP revenues because certain receivables are accrued for GAAP purposes while they were not recorded as revenue on the state's accounting system when they are received after the apply-back period.
- C. Certain transfers are sometimes recorded as revenues and expenditures on the state's accounting system.
- D. Expenditures recorded on the state's accounting system do not report expenditures relating to capital lease and other financing arrangements.

Statutory differences can occur because of North Dakota Century Code section 54-44.1-11. This section requires the Office of Management and Budget to cancel most unexpended appropriations 30 days after the end of each biennial period. Certain GAAP expenditures are not recorded as budgetary expenditures because the agency does not have the ability to pay the expenditures within 30 days after the end of the biennium. These are relatively rare occurrences, and when significant, will be clearly disclosed.

D. Other GAAP Reporting Differences

GAAP financial statements would include a balance sheet by fund type and account group. Revenues, expenditures, and expenses would also be reported by fund type. In addition, a statement of cash flows would have been prepared for proprietary fund type activities. GAAP financial statements would also provide more complete note disclosures. This type of information is available in the state's comprehensive annual financial report and the Office of Management and Budget's combining statements by department.

For this report, revenues and expenditures are reported on a departmental basis to give an overview of the North Dakota Oilseed Council's operations. All revenues and expenditures are included regardless of the nature of the activities (proprietary fund types are included with governmental fund types when applicable).

NOTE 2 – OTHER SIGNIFICANT ITEMS

The North Dakota Oilseed Council has cash and investment reserves of \$817,838. Based on the average monthly expenditures for fiscal year 2010, this amount represents approximately 9 months of expenditures.

The North Dakota Oilseed Council transferred \$79,500 to the Agriculture Department in conjunction with Senate Bill 2179 of the 2007 Session laws. These funds were used to help mitigate damage by blackbirds.

Supplementary Information

Detailed Comparative Statement of Revenues and Expenditures (Budgetary Basis)

North Dakota Oilseed Council

For The Years Ending June 30, 2010 and 2009

	Fiscal Years	
	2010	2009
<u>Revenues:</u>		
Assessments	\$ 1,291,475	\$ 791,461
Interest on Investments	7,667	11,690
Total Revenues:	<u>\$ 1,299,142</u>	<u>\$ 803,151</u>
 <u>Expenditures and Other Uses:</u>		
Professional Services	\$ 938,871	\$ 858,051
Salaries and Benefits	69,980	65,503
Grants		43,000
Operating Fees and Services	16,867	4,231
Travel	6,235	4,964
IT Communications, Services and Repairs	4,480	5,850
Professional Development	3,369	1,863
Printing	1,681	1,231
Offices Supplies	1,090	1,290
Insurance	822	818
Postage	308	519
Other	124	187
Transfer Out		79,500
Total Expenditures and Other Uses	<u>\$ 1,043,827</u>	<u>\$ 1,067,007</u>
 Revenue Over (Under) Expenditures and Other Uses	<u>\$ 255,315</u>	<u>\$ (263,856)</u>

Responses to LAFRC Audit Questions

The Legislative Audit and Fiscal Review Committee (LAFRC) requests that certain items be addressed by auditors performing audits of state agencies.

1. What type of opinion was issued on the special-purpose financial statements?

Unqualified.

2. Was there compliance with statutes, laws, rules, and regulations under which the agency was created and is functioning?

Yes.

3. Was internal control adequate and functioning effectively?

Yes.

4. Were there any indications of lack of efficiency in financial operations and management of the agency?

No.

5. Has action been taken on findings and recommendations included in prior audit reports?

Yes.

6. Was a management letter issued? If so, provide a summary below, including any recommendations and the management responses.

No.

LAFRC Audit Communications

1. *Identify any significant changes in accounting policies, any management conflicts of interest, any contingent liabilities, or any significant unusual transactions.*

There were no significant changes in accounting policies; no management conflicts of interest were noted.

2. *Identify any significant accounting estimates, the process used by management to formulate the accounting estimates, and the basis for the auditor's conclusions regarding the reasonableness of those estimates.*

There were no significant accounting estimates.

3. *Identify any significant audit adjustments.*

None.

4. *Identify any disagreements with management, whether or not resolved to the auditor's satisfaction relating to a financial accounting, reporting, or auditing matter that could be significant to the special-purpose financial statements.*

We are pleased to report that no significant disagreements arose during the course of our audit.

5. *Identify any serious difficulties encountered in performing the audit.*

None.

6. *Identify any major issues discussed with management prior to retention.*

This is not applicable for audits conducted by the Office of the State Auditor.

7. *Identify any management consultations with other accountants about auditing and accounting matters.*

None.

8. *Identify any high-risk information technology systems critical to operations based on the auditor's overall assessment of the importance of the system to the agency and its mission, or whether any exceptions identified in the six audit report questions to be addressed by the auditors are directly related to the operations of an information technology system.*

ConnectND Finance is the most high-risk information technology systems critical to the North Dakota Oil Seed Council.

Governance Communication

December 14, 2010

To: The North Dakota Oilseed Council
The Legislative Audit and Fiscal Review Committee

We have audited the special-purpose financial statements of the governmental activities of North Dakota Oilseed Council for the years ended June 30, 2010 and 2009, and have issued our report thereon dated December 14, 2010. Professional standards require that we provide you with the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by North Dakota Oilseed Council are described in Note 1 to the special-purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal years 2010 and 2009. 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 special-purpose financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

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

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 communicate them to the appropriate level of management. No such misstatements were noted.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the special-purpose 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 December 14, 2010.

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 governmental unit’s special-purpose 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.

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. It should be noted that the retention of the State Auditor is a matter of state law and is not under the control of the North Dakota Oilseed Council.

This information is intended solely for the use of the North Dakota Oilseed Council and management of the North Dakota Oilseed Council and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Fred Ehrhardt CPA
Audit Supervisor

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