

**OFFICE OF
STATE AUDITOR**

AUDIT REPORT

**CASS COUNTY SOIL
CONSERVATION DISTRICT
FARGO, NORTH DAKOTA**

**FOR THE YEARS ENDED
DECEMBER 31, 2013 AND 2012**



CASS COUNTY SOIL CONSERVATION DISTRICT
Fargo, North Dakota

TABLE OF CONTENTS
For the Years Ended December 31, 2013 and 2012

	<u>Page(s)</u>
Officials	1
Independent Auditor's Report	2 - 3
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	4
Statement of Activities	5
Balance Sheet - Governmental Funds	6
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities - Governmental Funds	9
Notes to the Financial Statements	10 - 18
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule	19
Notes to the Required Supplementary Information	20
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	21 - 22
Schedule of Findings and Questioned Costs	23

CASS COUNTY SOIL CONSERVATION DISTRICT
Fargo, North Dakota

OFFICIALS

December 31, 2013

Brad Kellerman	Chairman
Richard Faught	Vice Chairman
Terry Hoffmann	Board Member
Brad Kellerman	Board Member
Curtis Knutson	Board Member
Wayne Stautz	Operations Coordinator
Amy Cole	District Clerk

December 31, 2012

John Grove	Chairman
Terry Hoffmann	Vice Chairman
Richard Faught	Board Member
Brad Kellerman	Board Member
Joseph Zeleznik	Board Member
Wayne Stautz	Operations Coordinator
Amy Cole	District Clerk

STATE AUDITOR

ROBERT R. PETERSON
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Local Government Division:
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MANAGER – DAVID MIX
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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

INDEPENDENT AUDITOR'S REPORT

Soil Conservation District Commissioners
Cass County Soil Conservation District
Fargo, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and the major fund of Cass County Soil Conservation District, Fargo, North Dakota, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Soil Conservation 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund of Cass County Soil Conservation District, Fargo, North Dakota, as of December 31, 2013 and 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information* on page 19 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2014 on our consideration of Cass County Soil Conservation 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 Cass County Soil Conservation District's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
June 2, 2014

CASS COUNTY SOIL CONSERVATION DISTRICT
Fargo, North Dakota

STATEMENT OF NET POSITION
December 31, 2013 and 2012

	2013	2012
ASSETS:		
Cash	\$ 306,669	\$ 165,605
Investment	-	30,391
Accounts Receivable	665	67,152
Due from County	978	1,340
Intergovernmental Receivable	1,958	15,235
Taxes Receivable	4,603	5,716
Other Assets	4,982	3,984
Capital Assets (being depreciated):		
Buildings and Other Improvements	206,887	213,683
District Equipment	77,022	62,567
Total Capital Assets	\$ 283,909	\$ 276,250
 Total Assets	 \$ 603,764	 \$ 565,673
 LIABILITIES:		
Accounts Payable	\$ 4,511	\$ 15,302
Payroll Liability	11,155	7,401
Sales Tax Liability	2,374	1,994
Other Liabilities	92	92
Salaries Payable	3,428	3,248
Interest Payable	-	2,095
Long-Term Liabilities:		
Due Within One Year:		
Revenue Bonds Payable	-	34,000
Compensated Absences Payable	1,217	1,107
Due After One Year:		
Compensated Absences Payable	10,952	9,961
 Total Liabilities	 \$ 33,729	 \$ 75,200
 NET POSITION:		
Net Investment in Capital Assets	\$ 283,909	\$ 242,250
Restricted for:		
Conservation of Natural Resources	286,126	248,223
 Total Net Position	 \$ 570,035	 \$ 490,473

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

CASS COUNTY SOIL CONSERVATION DISTRICT
Fargo, North Dakota

STATEMENT OF ACTIVITIES
For the Years Ended December 31, 2013 and 2012

For the Year Ended December 31, 2013					For the Year Ended December 31, 2012				
Functions/Programs	Expenses	Program Revenues		Net (Expense)	Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and			Charges for	Operating	Revenue and
		Services	Grants and	Changes in			Services	Grants and	Changes in
			Contributions	Net Position				Contributions	Net Position
<u>Governmental Activities:</u>					<u>Governmental Activities:</u>				
Conserv. of Natural Resources	\$ 481,842	\$ 114,249	\$ 100,134	\$ (267,459)	Conserv. of Natural Resources	\$ 631,116	\$ 196,105	\$ 184,829	\$ (250,182)
Interest on Long-Term Debt	1,047	-	-	(1,047)	Interest on Long-Term Debt	7,522	-	-	(7,522)
Total Governmental Activities	<u>\$ 482,889</u>	<u>\$ 114,249</u>	<u>\$ 100,134</u>	<u>\$ (268,506)</u>	Total Governmental Activities	<u>\$ 638,638</u>	<u>\$ 196,105</u>	<u>\$ 184,829</u>	<u>\$ (257,704)</u>
<u>General Revenues:</u>					<u>General Revenues:</u>				
Taxes:					Taxes:				
				\$ 346,010					\$ 411,338
Property taxes				300	Property taxes				801
Interest				1,758	Interest				225
Miscellaneous Revenue				<u>348,068</u>	Miscellaneous Revenue				<u>412,364</u>
Total General Revenues				<u>\$ 348,068</u>	Total General Revenues				<u>\$ 412,364</u>
Change in Net Position				<u>\$ 79,562</u>	Change in Net Position				<u>\$ 154,660</u>
Net Position - January 1				\$ 490,473	Net Position - January 1				\$ 346,777
Prior Period Adjustment				<u>-</u>	Prior Period Adjustment				<u>(10,964)</u>
Net Position - January 1, as restated				\$ 490,473	Net Position - January 1, as restated				\$ 335,813
Net Position - December 31				<u><u>\$ 570,035</u></u>	Net Position - December 31				<u><u>\$ 490,473</u></u>

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

CASS COUNTY SOIL CONSERVATION DISTRICT
Fargo, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Cash	\$ 306,669	\$ 165,605
Investment	-	30,391
Accounts Receivable	665	67,152
Intergovernmental Receivable	1,958	15,235
Due from County	978	1,340
Taxes Receivable	4,603	5,716
Other Assets	<u>4,982</u>	<u>3,984</u>
Total Assets	<u>\$ 319,855</u>	<u>\$ 289,423</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>		
<u>Liabilities:</u>		
Accounts Payable	\$ 4,511	\$ 15,302
Salaries Payable	3,428	3,248
Payroll Liability	11,155	7,401
Sales Tax Liability	2,374	1,994
Other Liabilities	<u>92</u>	<u>92</u>
Total Liabilities	<u>\$ 21,560</u>	<u>\$ 28,037</u>
<u>Deferred Inflows of Resources:</u>		
Taxes Receivable	<u>\$ 4,603</u>	<u>\$ 5,716</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 26,163</u>	<u>\$ 33,753</u>
<u>Fund Balances:</u>		
<u>Restricted for:</u>		
Conservation of Natural Resources	<u>293,692</u>	<u>255,670</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 319,855</u>	<u>\$ 289,423</u>

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

CASS COUNTY SOIL CONSERVATION DISTRICT
Fargo, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2013 and 2012

	2013	2012
Total <i>Fund Balances</i> for Governmental Funds	\$293,692	\$255,670
Total <i>net position</i> reported for government 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	\$ 484,067	\$ 460,146
Less Accumulated Depreciation	<u>(200,158)</u> 283,909	<u>(183,896)</u> 276,250
Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds.		
	4,603	5,716
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities-both current and long-term are reported in the statement of net position. Balances at December 31, 2013 and 2012 are:		
Revenue Bonds Payable	\$ -	\$ (34,000)
Interest Payable	-	(2,095)
Compensated Absences	<u>(12,169)</u>	<u>(11,068)</u>
Total Net Position of Governmental Activities	<u>\$570,035</u>	<u>\$490,473</u>

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

CASS COUNTY SOIL CONSERVATION DISTRICT
Fargo, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>Revenues:</u>		
Taxes	\$ 347,123	\$ 411,022
Intergovernmental	100,134	184,829
Charges for Services	114,249	196,105
Interest Income	300	801
Miscellaneous	<u>1,758</u>	<u>225</u>
Total Revenues	<u>\$ 563,564</u>	<u>\$ 792,982</u>
<u>Expenditures:</u>		
Current:		
Culture and Recreation	\$ 447,755	\$ 601,562
Capital Outlay	40,645	53,089
Debt Service:		
Principal	34,000	106,000
Interest and Fees	<u>3,142</u>	<u>8,927</u>
Total Expenditures	<u>\$ 525,542</u>	<u>\$ 769,578</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 38,022</u>	<u>\$ 23,404</u>
Fund Balance - January 1	<u>\$ 255,670</u>	<u>\$ 234,166</u>
Prior Period Adjustment	\$ -	\$ (1,900)
Fund Balance - January 1, As Restated	<u>255,670</u>	<u>232,266</u>
Fund Balance - December 31	<u><u>\$ 293,692</u></u>	<u><u>\$ 255,670</u></u>

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

CASS COUNTY SOIL CONSERVATION DISTRICT
 Fargo, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 For the Years Ended December 31, 2013 and 2012

	2013	2012
Net Change in <i>Fund Balances</i> - Total Governmental Funds	\$ 38,022	\$ 23,404
<p>The change in net position reported for governmental activities in the statement of activities is different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.</p>		
Current Year Capital Outlay	\$ 40,645	\$ 53,089
Current Year Depreciation Expense	(32,986)	(29,232)
	7,659	23,857
<p>The issuance of debt increases long-term liabilities, while the 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 of debt repayment.</p>		
Revenue Bonds Repayment	34,000	106,000
<p>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.</p>		
Change in Interest Payable	\$ 2,095	\$ 1,405
Change in Compensated Absences	(1,101)	(322)
	994	1,083
<p>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 decrease in taxes receivable.</p>		
	(1,113)	316
Change in Net Position of Governmental Activities	\$ 79,562	\$ 154,660

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

CASS COUNTY SOIL CONSERVATION DISTRICT
Fargo, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The accompanying financial statements present the activities of the Cass County Soil Conservation District. The soil conservation district has considered all potential component units for which the soil conservation district is financially accountable and other organizations for which the nature and significance of their relationships with the soil conservation district such that exclusion would cause the soil conservation 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. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Cass County Soil Conservation 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 Cass County Soil Conservation District.

Based on these criteria, there are no component units to be included within the Cass County Soil Conservation District as a reporting entity.

B. Government-wide and fund financial statements

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the soil conservation 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 program. Revenues that are not classified as program revenues, including taxes, interest and non-restricted grants and contributions, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the soil conservation district's fund. Separate statements are provided for the governmental fund. The emphasis of fund financial statements is on the major governmental fund.

The soil conservation district reports the following major governmental fund:

General Fund. This is the soil conservation 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.

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. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the soil conservation 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 for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

D. Cash and Investments

Cash consists of amounts in demand deposits and money market accounts.

The investments consist of certificates of deposit stated at cost with maturities in excess of 90 days.

E. Capital Assets

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

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.

CASS COUNTY SOIL CONSERVATION DISTRICT
Notes to the Financial Statements – Continued

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

ASSETS	YEARS
Buildings & Other Improvements	15 - 50
Vehicles and Machinery	5 – 10
Land & Land Improvements	Indefinite
Furniture and Equipment	5 - 10

F. Compensated Absences

All full-time employees and permanent part-time employees are granted vacation benefits. Vacation time is earned on a month-to-month basis based on length of service. Vacation time is allowed to accrue to a maximum of 240 hours. When the limit is reached, employees will cease to accrue more vacation time until existing levels fall below 240 hours. Vested or accumulated vacation leave is reported in the government-wide statement of net position. No liability is recorded for non-vesting accumulating rights to receive sick leave benefits.

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 recognized in the current period since the amounts are not material.

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. Fund Balances / Net Position

Fund balance classifications 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 Cass County Soil Conservation 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.

Fund Balance Reporting and Governmental Fund Type Definitions

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

CASS COUNTY SOIL CONSERVATION DISTRICT
Notes to the Financial Statements – Continued

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

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

Cass County Soil Conservation District only has restricted fund balance at December 31, 2013.

Restricted Fund Balances – consist of the following items at December 31, 2013:

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

Net Position:

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

Net investment in capital assets is reported for capital assets less accumulated depreciation. The resources needed to repay this related debt must be provided from other sources, since the capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

Restriction of net position shown in the net position statement is restricted for conservation of natural resource activities.

NOTE 2: DEPOSITS

In accordance with North Dakota Statutes, the soil conservation 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 institutions 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 park, city, township, school district, Soil conservation district, or other political subdivision of the state of North Dakota. Whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board.

At year ended December 31, 2013, the soil conservation district's carrying amount of deposits was \$306,508, and the bank balance was \$320,453. Of the bank balances, \$279,982 was covered by Federal Depository Insurance. The remaining bank balances totaling \$40,471 were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2012, the soil conservation district's carrying amount of deposits was \$194,645, and the bank balance was \$194,730, all of which was covered by Federal Depository Insurance.

Credit Risk:

The soil conservation 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, 2012 the district held certificates of deposit in the amount of \$30,392.

Concentration of Credit Risk:

The Soil conservation district does not have a limit on the amount the soil conservation district may invest in any one issuer.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts due from individuals for services performed by the Soil conservation district. No allowance has been established for estimated uncollectible accounts receivable.

CASS COUNTY SOIL CONSERVATION DISTRICT
Notes to the Financial Statements – Continued

NOTE 4: INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables consist of state revenue sharing payments received after year-end.

NOTE 5: DUE FROM COUNTY

Due from county represents tax amounts collected prior to year-end by county auditor's office not distributed to the district at year-end.

NOTE 6: TAXES RECEIVABLE

The taxes receivable represents the past three years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes receivable.

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.

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments and 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 on property taxes 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 discount on the property taxes.

NOTE 7: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2013 and 2012:

Governmental Activities 2013:	Balance 1-1-13	Increases	Decreases	Balance 12-31-13
<i>Capital assets being depreciated:</i>				
Buildings and Other Improvements	\$242,206	\$ -	\$ -	\$295,295
District Equipment	217,940	40,645	16,724	188,772
Total Capital Assets, Being Depreciated	\$460,146	\$40,645	\$16,724	\$484,067
<i>Less Accumulated Depreciation for:</i>				
Buildings and Other Improvements	\$ 28,523	\$ 6,796	\$ -	\$ 35,319
District Equipment	155,373	26,190	16,724	164,839
Total Accumulated Depreciation	\$183,896	\$32,986	\$16,724	\$200,158
Governmental Activities Capital Assets, Net	\$276,250	\$ 7,659	\$ -	\$283,909

Governmental Activities 2012:	Balance 1-1-12	Increases	Decreases	Balance 12-31-12
<i>Capital assets being depreciated:</i>				
Buildings and Other Improvements	\$242,206	\$ -	\$ -	\$242,206
District Equipment	164,851	\$53,089	-	217,940
Total Capital Assets, Being Depreciated	\$407,057	\$53,089	\$ -	\$460,146
<i>Less Accumulated Depreciation for:</i>				
Buildings and Other Improvements	\$ 21,727	\$ 6,796	\$ -	\$ 28,523
District Equipment	132,937	22,436	-	155,373
Total Accumulated Depreciation	\$154,664	\$29,232	\$ -	\$183,896
Governmental Activities Capital Assets, Net	\$252,393	\$23,857	\$ -	\$276,250

Depreciation expense was charged to conservation of natural resources.

CASS COUNTY SOIL CONSERVATION DISTRICT
Notes to the Financial Statements – Continued

NOTE 8: ACCOUNTS PAYABLE

Accounts payable consists of amounts on open account for goods and services received prior to December 31, 2013 and chargeable to the appropriations for the year then ended, but paid for subsequent to that date.

NOTE 9: SALARIES PAYABLE

Salaries payable consists of amounts earned by employees prior to year-end, but paid subsequent to year-end.

NOTE 10: PAYROLL LIABILITY

Payroll Liabilities consists of the amount of federal/state withholdings, vision and dental insurance, etc. paid subsequent to year-end.

NOTE 11: SALES TAX LIABILITY

Sales Tax Liabilities consists of amounts to be paid from sales occurring at year end that will be due subsequent to year-end.

NOTE 12: INTEREST PAYABLE

Interest payable consists of the portion of interest accrued on long-term debt (line of credit payable) outstanding at December 31, 2013.

NOTE 13: DEFERRED INFLOWS OF RESOURCES

Cass County Soil Conservation District early implemented provisions of GASB 65 “Items Previously Reported as Assets and Liabilities” during the year ended December 31, 2013. Prior to GASB 65, the offset to taxes receivable was reported as a liability in the balance sheet, but is now reported as a deferred inflow of resources under the provisions of GASB 65.

Deferred inflows of resources in the fund financial statements consist of amounts for taxes receivable for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, uncollected taxes are measurable but not available.

NOTE 14: LONG-TERM LIABILITIES

Changes in Long-Term Liabilities - During the year ended December 31, 2013 and 2012, the following changes occurred in liabilities reported in long-term liabilities:

Governmental Activities:

Governmental Activities:	Balance 1-1-13	Increases	Decreases	Balance 12-31-13	Due Within One Year
Revenue Bonds	\$34,000	\$ -	\$34,000	\$ -	\$ -
Compensated Absences *	11,068	1,101	-	12,169	1,217
Total Governmental Activities	\$45,068	\$1,101	\$34,000	\$12,169	\$1,217

CASS COUNTY SOIL CONSERVATION DISTRICT
Notes to the Financial Statements – Continued

Governmental Activities:	Balance 1-1-12	Increases	Decreases	Balance 12-31-12	Due Within One Year
Revenue Bonds	\$140,000	\$ -	\$106,000	\$34,000	\$34,000
Compensated Absences *	10,746	322	-	11,068	1,107
Total Governmental Activities	\$150,746	\$ 322	\$106,000	\$45,068	\$35,107

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

NOTE 15: RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (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 Cass County Soil Conservation District pays an annual premium to NDIRF for Public Assets. The coverage by NDIRF is limited to losses of 76,000.

The Cass County Soil Conservation District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Cass County Soil Conservation District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of two million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$192,500 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

NOTE 16: PENSION PLAN

The Soil conservation district contributes to a simplified employee pension plan for Soil conservation district employees in the form of a deferred compensation program. The Soil conservation district contributes 8% of employee's salary to the plan and employees can contribute any amount to the plan. For the years ended December 31, 2013, 2012, and 2011, the Soil conservation district (employee's share is included) in total contributed \$17,740, \$13,194, and \$10,806 to ND PERS, respectively.

NOTE 17: PRIOR PERIOD ADJUSTMENTS

Prior period adjustments for the 2012 Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds consist of a beginning balance adjustment to remove taxes receivable and interest payable from fund balance. The effect of the prior period adjustment to beginning fund balance is as follows:

	Amounts
Fund balance, as previously reported	\$234,166
Adjustments to restate the January 1 fund balance	
Remove Taxes Receivable	(5,400)
Remove Interest Payable	3,500
Fund Balance January 1, 2012 as restated	\$232,266

CASS COUNTY SOIL CONSERVATION DISTRICT
Notes to the Financial Statements – Continued

The prior period adjustments for the 2012 Statement of Activities consist of beginning balance adjustments for various items that are listed in the schedule. The effect of the prior period adjustments to beginning Net Position is as follows:

	Amounts
Beginning Net Position, As Previously Reported	\$346,777
Adjustments to restate the January 1 Net Position Adjustments:	
Fund Balance Adjustment	(1,900)
Capital Assets - Cost	2,270
Capital Assets - Depreciation	(2,488)
Taxes Receivable - Beginning Balance Adjustment	5,400
Interest Payable - Beginning Balance Adjustment	(3,500)
Compensated Absences - Beginning Balance Adjustment	(10,746)
Net Position January 1, 2012 as restated	\$335,813

CASS COUNTY SOIL CONSERVATION DISTRICT
Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Years Ended December 31, 2013 and 2012

	2013				2012			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:								
Taxes	\$ 350,000	\$ 350,000	\$ 347,123	\$ (2,877)	\$ 410,000	\$ 410,000	\$ 411,022	\$ 1,022
Intergovernmental	46,700	46,700	100,134	53,434	78,530	78,530	184,829	106,299
Charges for Services	137,435	137,435	114,249	(23,186)	119,181	119,181	196,105	76,924
Interest	390	390	300	(90)	390	390	801	411
Miscellaneous	1,575	1,575	1,758	183	1,350	1,350	225	(1,125)
Total Revenues	\$ 536,100	\$ 536,100	\$ 563,564	\$ 27,464	\$ 609,451	\$ 609,451	\$ 792,982	\$ 183,531
Expenditures:								
Current:								
Culture and Recreation	\$ 506,621	\$ 506,621	\$ 447,755	\$ 58,866	\$ 510,874	\$ 510,874	\$ 601,562	\$ (90,688)
Capital Outlay	23,680	23,680	40,645	(16,965)	30,700	30,700	53,089	(22,389)
Debt Service:								
Principal	34,000	34,000	34,000	-	66,000	66,000	106,000	(40,000)
Interest and Fees	-	-	3,142	(3,142)	-	-	8,927	(8,927)
Total Expenditures	\$ 564,301	\$ 564,301	\$ 525,542	\$ 38,759	\$ 607,574	\$ 607,574	\$ 769,578	\$ (162,004)
Excess (Deficiency) of Revenues Over Expenditures	\$ (28,201)	\$ (28,201)	\$ 38,022	\$ 66,223	\$ 1,877	\$ 1,877	\$ 23,404	\$ 21,527
Fund Balance - January 1	\$ 255,670	\$ 255,670	255,670	-	\$ 234,166	\$ 234,166	234,166	-
Prior Period Adjustment	-	-	-	-	-	-	(1,900)	(1,900)
Fund Balance - Jan. 1 Restated	\$ 255,670	\$ 255,670	\$ 255,670	-	\$ 234,166	\$ 234,166	\$ 232,266	\$ (1,900)
Fund Balance - December 31	\$ 227,469	\$ 227,469	\$ 293,692	\$ 66,223	\$ 236,043	\$ 236,043	\$ 255,670	\$ 19,627

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

CASS COUNTY SOIL CONSERVATION DISTRICT
Fargo, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2013 and 2012

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

- The soil district board adopts an “appropriated budget” on a basis consistent with accounting principles generally accepted in the United States (GAAP) for the general fund.
- The budget includes proposed expenditures and means of financing them.
- The soil conservation district, on or before the October meeting shall determine the amount of taxes that shall be levied for member county purposes and shall levy all such taxes in specific amounts. NDCC 11-23-05
- Each budget is controlled by the operations coordinator at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared. NDCC 57-15-31.1
- All appropriations lapse at year-end.

NOTE 2: EXPENDITURES IN EXCESS OF BUDGET

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

	Budget	Actual	Excess
<u>Major Fund</u> General Fund	\$607,574	\$769,578	\$(162,004)

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

STATE AUDITOR

ROBERT R. PETERSON
Phone (701) 328-2241
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Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252 Fax: (701) 239-7251

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

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

Soil Conservation District Commissioners
Cass County Soil Conservation District
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, and the major fund of Cass County Soil Conservation District, Fargo, North Dakota, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise Cass County Soil Conservation District's basic financial statements, and have issued our report thereon dated June 2, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cass County Soil Conservation 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 Cass County Soil Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Cass County Soil Conservation 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 a certain deficiency in internal control that we considered 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 [2013-01].

CASS COUNTY SOIL CONSERVATION DISTRICT

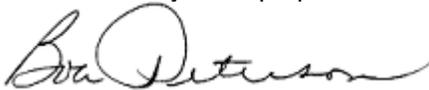
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* - Continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cass County Soil Conservation District's financial statements are free from 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*.

Purpose of this Report

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



Robert R. Peterson
State Auditor

Fargo, North Dakota
June 2, 2014

CASS COUNTY SOIL CONSERVATION DISTRICT
Fargo, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Years Ended December 31, 2013 and 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued?	
Governmental Activities	Unmodified
Major Governmental Fund	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

2013-01 – LACK OF SEGREGATION OF DUTIES

Condition:

Cass County Soil Conservation District has one employee responsible for the primary accounting functions and general ledger maintenance.

Effect:

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.

Cause:

The Cass County Soil Conservation District is not in the financial condition to hire the amount of staff to adequately segregate duties.

Criteria:

The guidance relating to internal control is contained in Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This framework includes discussions about the importance of adequate risk assessment, code of conduct, and background investigations. Proper internal accounting control dictates that sufficient accounting personnel should exist so that incompatible duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the Soil Conservation District.

Recommendation:

Due to the size and funding limitations of the Soil Conservation District, we understand that it may not be feasible to obtain proper separation of duties. However, if at any time, it becomes economically feasible and appropriate to add sufficient staff to segregate duties, we recommend that the Soil Conservation District do so. We further recommend that the Soil Conservation District implement any controls possible to separate the functions of approval, posting of transactions, reconciliation, and custody of assets.

Views of Responsible Officials:

I agree with the recommendation. The district operations coordinator reviews and initials the bank reconciliation reports. The board is now signing appropriate bills and checks at the board meetings. The board is more involved in the financial operation of the district now.