

# **OFFICE OF STATE AUDITOR**

## **AUDIT REPORT**

**SOUTHEAST CASS WATER RESOURCE DISTRICT  
WEST FARGO, NORTH DAKOTA**

**(A COMPONENT UNIT OF CASS COUNTY)**

**FOR THE YEAR ENDED DECEMBER 31, 2011**



---

---

SOUTHEAST CASS WATER RESOURCE DISTRICT  
West Fargo, North Dakota

TABLE OF CONTENTS  
For the Year Ended December 31, 2011

---

	<u>Page(s)</u>
District Officials	1
Independent Auditor's Report	2 - 3
Management's Discussion and Analysis	4 - 8
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Assets	9
Statement of Activities	10
Balance Sheet - Governmental Funds	11 - 12
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	14 - 15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	16
Notes to the Financial Statements	17 - 29
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedules	30 - 35
Notes to the Required Supplementary Information	36
<b>SUPPLEMENTARY INFORMATION</b>	
Combining Balance Sheet - Non-major Governmental Funds	37 - 38
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-major Governmental Funds	39 - 40
Independent Auditor's Reports on Compliance and Internal Control Over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards	41 - 42
Schedule of Findings and Questioned Costs	43

SOUTHEAST CASS WATER RESOURCE DISTRICT  
West Fargo, North Dakota

**DISTRICT OFFICIALS**

December 31, 2011

Thomas Fischer  
Mark Brodshaug  
Dan Jacobson

Chairman  
Vice Chairman  
Manager

Carol Harbeke Lewis

Secretary/Treasurer

Sean M. Fredricks

Attorney

**STATE AUDITOR**

ROBERT R. PETERSON  
Phone (701) 328-2241  
Fax (701) 328-1406



Local Government Division:  
FARGO OFFICE  
MANAGER – DAVID MIX  
Phone: (701) 239-7252 Fax: (701) 239-7251

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

---

INDEPENDENT AUDITOR'S REPORT

---

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

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, 2011, which collectively comprise the Water Resource District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Southeast Cass Water Resource District's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, as of December 31, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2012, 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 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.

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 through 8 and 30 through 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**SOUTHEAST CASS WATER RESOURCE DISTRICT**  
Independent Auditor's Report – Continued

---

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southeast Cass Water Resource District's financial statements. The combining nonmajor fund statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major fund statements are fairly stated in all material respects in relation to the financial statements as a whole.



Robert R. Peterson  
State Auditor

June 20, 2012

---

---

SOUTHEAST CASS WATER RESOURCE DISTRICT  
West Fargo, North Dakota

MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2011

---

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, 2011. 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 2011 are as follows:

- Net assets of Southeast Cass Water Resource District increased by \$2,604,441 as a result of the current year's operations.
- Governmental net assets as of the end of the fiscal year totaled \$86,202,640.
- Total revenues from all sources were \$7,680,056 on the government-wide statement of activities and \$7,744,587 on the modified accrual basis.
- Total expenses were \$5,075,615 on the government-wide statement of activities and total expenditures were \$17,365,515 on the modified accrual basis.
- The District's general fund had \$2,354,733 in total revenues and \$2,359,675 in total expenditures. Overall, the general fund balance increased by \$4,705 for the year ended December 31, 2011.

### **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 Assets 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 #27M, Drain #53M, Capital Project Funds, and Debt Service funds with all other governmental funds presented in total in one column.

### **REPORTING ON THE DISTRICT AS A WHOLE**

#### Statement of Net Assets 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, 2011?"

The Statement of Net Assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as 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 assets changed during the fiscal year. This statement is presented using the accrual basis of accounting, which means that all changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in 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 assets and changes in those assets. This change in net assets 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 Assets 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 #27M, Drain #53M, Capital Project Funds, and Debt Service Funds are considered "major funds".

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, 2010 and December 31, 2011 fiscal years. Current assets decreased slightly. Capital Assets increased due to land acquisitions. Current liabilities increased due to increases in retainages payable and accounts payable due to contractors at December 31, 2011 for the Orchard Park Sewer project, Round Hill Sewer project, Drain #27, Drain #53, Sheyenne River Diversion Pump Station and Sheyenne River Diversion Channel Improvements. Long-term liabilities increased due to debt issuance.

The District's net assets of \$86,202,640 are segregated into three separate categories. Net assets invested in capital assets (net of related debt) represents 92% of the District's total net assets. It should be noted that these assets are not available for future spending. Restricted net assets represent 6% of the District's net assets. Restricted net assets represent resources that are subject to external restrictions on how they must be spent. The remaining unrestricted net assets represent 2% of the District's net assets. The unrestricted net assets are available to meet the District's ongoing obligations.

**TABLE 1**  
**NET ASSETS**  
 December 31, 2011 and 2010

	12-31-11	12-31-10
<b>Assets:</b>		
Current Assets	\$ 6,422,032	\$ 6,513,625
Long-Term Assets	4,434,759	4,471,523
Capital Assets (net of accumulated depreciation)	87,205,929	79,148,958
<b>Total Assets</b>	<b>\$98,062,720</b>	<b>\$90,134,106</b>
<b>Liabilities:</b>		
Current Liabilities	\$ 3,905,097	\$ 256,448
Long-Term Liabilities	7,954,983	6,279,459
<b>Total Liabilities</b>	<b>\$11,860,080</b>	<b>\$ 6,535,908</b>
<b>NET ASSETS:</b>		
Invested in Capital Assets, net of Related Debt	\$79,262,951	\$77,968,264
Restricted	5,337,484	10,445,917
Unrestricted	1,602,203	(4,815,983)
<b>Total Net Assets</b>	<b>\$86,202,640</b>	<b>\$83,598,198</b>

Table II shows the changes in net assets for the fiscal year ended December 31, 2011 and 2010.

**TABLE II**  
**CHANGES IN NET ASSETS**  
 As of December 31, 2011 and 2010

	12-31-11	12-31-10
<b>Revenues</b>		
<b>Program Revenues:</b>		
Charges for Services	\$ 3,049,701	\$ 2,604,329
Operating Grants & Contributions	2,729,956	3,129,684
<b>General Revenues:</b>		
Property Taxes	1,657,140	1,633,912
Interest Earnings	35,983	48,445
Miscellaneous Revenue	207,276	273,359
<b>Total Revenues</b>	<b>\$ 7,680,056</b>	<b>\$ 7,689,729</b>
<b>Expenses</b>		
Conservation of Natural Resources	\$ 4,340,189	\$ 4,983,402
Capital Outlay	517,808	-
Interest and Service Charges	217,618	149,835
<b>Total Expenses</b>	<b>\$ 5,075,615</b>	<b>\$ 5,133,237</b>
<b>Change in Net Assets</b>	<b>\$ 2,604,441</b>	<b>\$ 2,556,492</b>
<b>Net Assets – January 1</b>	<b>\$83,598,198</b>	<b>\$81,041,705</b>
<b>Net Assets – December 31</b>	<b>\$86,202,640</b>	<b>\$83,598,198</b>

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

Property taxes constituted 22%, charges for services 40%, operating and non-restricted grants and contributions 36%, and interest and miscellaneous revenue 2% of the total revenues of governmental activities of the District for fiscal year 2011. Operating grants and contributions decreased due to not receiving state water commission cost share on drain infrastructure projects.

Conservation of natural resources constituted 86%, capital outlay 10% and debt service 4% of total expenses for governmental activities during fiscal year 2011. Total expenses decreased by \$57,622 from 2010 to 2011. Expenses primarily decreased in various funds due to the fact of a decrease in maintenance 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.

**TABLE III**  
**TOTAL AND NET COST OF SERVICES**  
 As of December 31, 2011 and 2010

	Total Cost For Year Ended Dec. 31, 2011	Net Cost For Year Ended Dec. 31, 2011	Total Cost For Year Ended Dec. 31, 2010	Net Cost For Year Ended Dec. 31, 2010
Conservation of Natural Resources	\$4,340,189	\$ 733,441	\$4,984,541	\$641,443
Capital Outlay	517,808	(517,808)	-	-
Interest and Service Charges	217,618	488,409	149,835	118,068
Total Expenses	<u>\$5,075,615</u>	<u>\$ 704,042</u>	<u>\$5,134,377</u>	<u>\$759,510</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 \$7,744,587 and expenditures of \$17,151,079 for the year ended December 31, 2011. The general fund had revenues of \$2,354,733 and expenditures of \$2,359,675, while transfers in totaled \$10,667 and transfers out were \$1,020 causing a net increase in the general fund of \$4,705. As of December 31, 2011 the unassigned fund balance of the District's general fund was \$71,616 and the total unassigned fund balance for the entire District's governmental funds was \$(5,131,455). Restricted fund balances totaled \$3,106,882 and committed fund balances totaled \$4,481,601.

**GENERAL FUND BUDGET HIGHLIGHTS**

During the course of fiscal year 2011, the Southeast Cass Water Resource Board amended the District's general fund revenue budget by \$73,555 due to intergovernmental cost share reimbursements received from the State Water Commission and the City of Fargo. The general fund expenditure budget was amended (decreased) by \$1,041,330 due to less spent on various.

Actual revenue for the year ended December 31, 2011 was \$204,473 more than budgeted due to the district budgeting less for intergovernmental receivable then what was actually received.

Actual expenditures for the year ended December 31, 2011 were over budget by \$134,300 due to the accrual of accounts payable.

**CAPITAL ASSETS**

As of December 31, 2011, Southeast Cass Water Resource District had \$87,205,929 invested in capital assets, net of depreciation. Table IV shows the balances as of December 31, 2011 and 2010.

**TABLE IV**  
**CAPITAL ASSETS**  
 (Net of Accumulated Depreciation)  
 December 31, 2011 and 2010

	2011	2010
Land	\$ 9,059,071	\$ 8,722,171
Facilities	50,907,818	51,568,220
Projects	15,710,133	15,456,332
Construction in Progress	11,528,907	3,402,235
Total Capital Assets (net of accumulated depreciation)	<u>\$87,205,929</u>	<u>\$79,148,958</u>

This total represents an increase of \$8,056,971 (10%) in capital assets from January 1, 2011 primarily due to the addition of channel improvements and depreciation expense. For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 7 to the audited financial statements which follow this analysis.

**DEBT ADMINISTRATION**

As of December 31, 2011, the Southeast Cass Water Resource District had \$7,942,977 in outstanding debt of which \$1,070,591 was due within one year. Table V represents outstanding debt and amount due within a year at December 31, 2011 and 2010.

**TABLE V**  
**OUTSTANDING DEBT**  
 December 31, 2011 and 2010

	Total		Total	
	Outstanding Dec. 31, 2011	Due Within One Year	Outstanding Dec. 31, 2010	Due Within One Year
2010 Improvement Bonds	\$ -	\$ -	\$ 1,930,000	\$ 130,000
2011 Improve. Bond Series B	3,345,000	520,000	-	-
2011 Improve. Bond Series A	780,000	65,000	-	-
St. Benedict's Bonds	84,000	10,000	94,000	10,000
2008 Improvement Bonds	1,440,000	280,000	1,725,000	285,000
State Revolving Loan Fund	563,279	40,000	598,279	35,000
2005 Improvement Bonds	-	-	2,015,000	170,000
2011 Improvement Bond	1,880,000	180,000	-	-
Bond Issuance Costs	(97,518)	(16,122)	(51,177)	(7,224)
Bond Discount	(51,784)	(8,287)	(37,635)	(5,361)
TOTAL	<u>\$7,942,977</u>	<u>\$1,070,591</u>	<u>\$6,273,468</u>	<u>\$617,415</u>

Long-term debt increased by \$1,669,509 over the prior year due to the District issuing new bonds totaling \$6,005,000 and retirement of other debt.

Regarding additional long-term debt information, readers are referred to Note 13 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 ASSETS  
December 31, 2011

---

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash and Cash Equivalents	\$ 5,494,403
Due from County	24,247
Taxes Receivable	69,400
Special Assessments Receivable	16,245
Intergovernmental Receivable	817,737
Long-Term Receivables:	
Uncertified Special Assessments Receivable	4,434,759
Capital Assets (not being depreciated):	
Land	9,059,071
Construction in Progress	11,528,907
Capital Assets (being depreciated)	
Facilities	50,907,818
Projects	15,710,133
Total Capital Assets	<u>\$ 87,205,929</u>
Total Assets	<u>\$ 98,062,720</u>
<u>LIABILITIES:</u>	
Accounts Payable	\$ 3,329,050
Benefits Payable	10,715
Retainages Payable	539,594
Interest Payable	25,738
Long-Term Liabilities:	
Due Within One Year:	
Bonds Payable (net of related costs)	1,030,591
Loan Payable	40,000
Compensated Absences Payable	12,007
Due After One Year:	
Bonds Payable (net of related costs)	6,349,106
Loans Payable	523,279
Total Liabilities	<u>\$ 11,860,080</u>
<u>NET ASSETS:</u>	
Invested in Capital Assets, net of Related Debt	\$ 79,262,953
Restricted for:	
Debt Service	5,337,484
Unrestricted	<u>1,602,203</u>
Total Net Assets	<u>\$ 86,202,640</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, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>				
Conservation of Natural Resources	\$ 4,340,189	\$ 2,343,674	\$ 2,729,956	\$ 733,441
Capital Outlay	517,808	-	-	(517,808)
Interest and Service Charges	217,618	706,027	-	488,409
Total Governmental Activities	<u>\$ 5,075,615</u>	<u>\$ 3,049,701</u>	<u>\$ 2,729,956</u>	<u>\$ 704,042</u>
<u>General Revenues:</u>				
Taxes				\$ 1,657,140
Non-restricted Grants and Contributions				133,178
Interest Earnings				35,983
Miscellaneous Revenue				<u>74,098</u>
Total General Revenues				<u>\$ 1,900,399</u>
Change in Net Assets				<u>\$ 2,604,441</u>
Net Assets - January 1				<u>\$ 83,598,198</u>
Net Assets - December 31				<u><u>\$ 86,202,639</u></u>

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, 2011

	Major Funds					
	General	SMFCD #1 Maintenance	SMFCD #2 Maintenance	Maple River Dam Maint.	Drain #27M	Drain #53M
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 2,163,285	\$ 842,566	\$ -	\$ -	\$ 205,482	\$ -
Intergovernmental Receivable	218,952	47,426	300	-	86,114	131,801
Due from County	10,618	1,190	2,090	1,182	116	350
Due from Other Funds	2,324,172	-	-	-	-	-
Taxes Receivable	29,837	7,090	11,890	3,856	3,327	1,191
Special Assessments Receivable	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 4,746,862</b>	<b>\$ 898,272</b>	<b>\$ 14,280</b>	<b>\$ 5,038</b>	<b>\$ 295,038</b>	<b>\$ 133,342</b>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities:</u>						
Accounts Payable	\$ 148,878	\$ 2,276,505	\$ 817,855	\$ 11,742	\$ 2,771	\$ 8,625
Benefits Payable	8,583	2,132	-	-	-	-
Retainages Payable	6,347	105,098	271,519	-	48,595	81,282
Due to Other Funds	-	-	111,391	399,163	-	1,652,051
Deferred Revenue	29,837	7,090	11,890	3,856	3,327	1,191
<b>Total Liabilities</b>	<b>\$ 193,645</b>	<b>\$ 2,390,824</b>	<b>\$ 1,212,655</b>	<b>\$ 414,760</b>	<b>\$ 54,693</b>	<b>\$ 1,743,149</b>
<u>Fund Balances:</u>						
Restricted	\$ -	\$ -	\$ -	\$ -	\$ 240,345	\$ -
Committed	4,481,601	-	-	-	-	-
Unassigned	71,616	(1,492,551)	(1,198,375)	(409,722)	-	(1,609,806)
<b>Total Fund Balances</b>	<b>\$ 4,553,217</b>	<b>\$ (1,492,551)</b>	<b>\$ (1,198,375)</b>	<b>\$ (409,722)</b>	<b>\$ 240,345</b>	<b>\$ (1,609,806)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,746,862</b>	<b>\$ 898,272</b>	<b>\$ 14,280</b>	<b>\$ 5,038</b>	<b>\$ 295,038</b>	<b>\$ 133,342</b>

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
\$ -	\$ 330,086	\$ 1,952,984	\$ 5,494,403
333,145	-	-	817,737
-	6,631	2,069	24,247
-	587,226	-	2,911,398
-	-	12,210	69,400
-	16,245	-	16,245
<u>\$ 333,145</u>	<u>\$ 940,188</u>	<u>\$ 1,967,264</u>	<u>\$ 9,333,429</u>
\$ 50,060	\$ 11,725	\$ 889	\$ 3,329,050
-	-	-	10,715
26,753	-	-	539,594
587,226	-	161,567	2,911,398
-	16,245	12,210	85,645
<u>\$ 664,039</u>	<u>\$ 27,970</u>	<u>\$ 174,666</u>	<u>\$ 6,876,401</u>
\$ -	\$ 912,218	\$ 1,954,319	\$ 3,106,882
-	-	-	4,481,601
(330,894)	-	(161,721)	(5,131,455)
<u>\$ (330,894)</u>	<u>\$ 912,218</u>	<u>\$ 1,792,597</u>	<u>\$ 2,457,028</u>
<u>\$ 333,145</u>	<u>\$ 940,188</u>	<u>\$ 1,967,264</u>	<u>\$ 9,333,429</u>

---

---

SOUTHEAST CASS WATER RESOURCE DISTRICT  
West Fargo, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
December 31, 2011

---

Total *Fund Balances* for Governmental Funds \$ 2,457,028

Total *net assets* reported for governmental activities in the statement of net assets 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	\$ 110,811,499	
Less Accumulated Depreciation	<u>(23,605,572)</u>	
Net Capital Assets		87,205,928

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	\$ 69,400	
Special Assessments Receivable	<u>16,245</u>	85,645

Long-Term Uncertified Special Assessments receivable are not reported in the funds because they are unavailable to pay the current period's expenditures. 4,434,759

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 assets. Balances at December 31, 2011 are made up of the following liabilities:

Bonds Payable	\$ (7,529,000)	
Unamortized Bond Discount	97,518	
Unamortized Bond Issuance Costs	51,784	
Loan Payable	(563,279)	
Interest Payable	(25,738)	
Compensated Absences	<u>(12,007)</u>	
Total Long-Term Liabilities		<u>(7,980,722)</u>

Total Net Assets - Governmental Activities \$ 86,202,638

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

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, 2011

	Major Funds					
	General	SMFCD #1 Maintenance	SMFCD #2 Maintenance	Maple River Dam Maint.	Drain #27M	Drain #53M
<b>Revenues:</b>						
Taxes	\$ 1,663,901	\$ 493,457	\$ 439,839	\$ 326,579	\$ 182,525	\$ 22,433
Special Assessments	-	-	-	-	-	-
Intergovernmental	653,495	47,426	389	-	621,736	1,102,953
Interest Income	22,493	3,524	3,792	-	1,098	-
Miscellaneous	14,844	20,785	4,749	17,687	-	196
<b>Total Revenues</b>	<b>\$ 2,354,733</b>	<b>\$ 565,191</b>	<b>\$ 448,770</b>	<b>\$ 344,266</b>	<b>\$ 805,359</b>	<b>\$ 1,125,583</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Conservation of Natural Resources	\$ 1,957,171	\$ 789,329	\$ 401,441	\$ 254,723	\$ 131,556	\$ 150,127
Capital Outlay	402,504	3,216,964	2,578,310	306,143	542,758	1,314,365
<b>Debt Service:</b>						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Service Fees	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 2,359,675</b>	<b>\$ 4,006,293</b>	<b>\$ 2,979,751</b>	<b>\$ 560,866</b>	<b>\$ 674,314</b>	<b>\$ 1,464,492</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (4,942)</b>	<b>\$ (3,441,102)</b>	<b>\$ (2,530,981)</b>	<b>\$ (216,600)</b>	<b>\$ 131,045</b>	<b>\$ (338,909)</b>
<b>Other Financing Sources (Uses):</b>						
Transfers In	\$ 10,667	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Proceeds	-	1,500,000	780,000	-	-	-
Debt Bond Discount	-	(10,025)	(9,750)	-	-	-
Bond Issuance Costs	-	(1,475)	(11,000)	-	-	-
Transfers Out	(1,020)	(72,510)	(8,431)	-	(87,686)	-
<b>Total Other Financing Sources and Uses</b>	<b>\$ 9,647</b>	<b>\$ 1,415,990</b>	<b>\$ 750,819</b>	<b>\$ -</b>	<b>\$ (87,686)</b>	<b>\$ -</b>
<b>Net Change in Fund Balances</b>	<b>\$ 4,705</b>	<b>\$ (2,025,112)</b>	<b>\$ (1,780,163)</b>	<b>\$ (216,600)</b>	<b>\$ 43,359</b>	<b>\$ (338,909)</b>
<b>Fund Balance - January 1</b>	<b>\$ 4,548,512</b>	<b>\$ 532,560</b>	<b>\$ 581,787</b>	<b>\$ (193,122)</b>	<b>\$ 196,986</b>	<b>\$ (1,270,897)</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,553,217</b>	<b>\$ (1,492,552)</b>	<b>\$ (1,198,375)</b>	<b>\$ (409,722)</b>	<b>\$ 240,345</b>	<b>\$ (1,609,806)</b>

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
\$ -	\$ -	\$ 879,270	\$ 4,008,004
-	763,368	-	763,368
434,626	-	2,508	2,863,134
-	5,076	-	35,983
6,236	-	9,601	74,098
<u>\$ 440,862</u>	<u>\$ 768,444</u>	<u>\$ 891,379</u>	<u>\$ 7,744,587</u>
\$ 162,786	\$ -	\$ 80,441	\$ 3,927,573
361,535	-	258,799	8,981,378
-	4,275,000	-	4,275,000
-	146,318	-	146,318
-	35,246	-	35,246
<u>\$ 524,321</u>	<u>\$ 4,456,564</u>	<u>\$ 339,239</u>	<u>\$ 17,365,515</u>
<u>\$ (83,459)</u>	<u>\$ (3,688,120)</u>	<u>\$ 552,140</u>	<u>\$ (9,620,928)</u>
\$ 21,176	\$ 168,628	\$ -	\$ 200,471
-	3,725,000	-	6,005,000
-	(50,588)	-	(70,363)
-	(16,200)	-	(28,675)
-	(30,823)	-	(200,471)
<u>\$ 21,176</u>	<u>\$ 3,796,017</u>	<u>\$ -</u>	<u>\$ 5,905,963</u>
<u>\$ (62,283)</u>	<u>\$ 107,897</u>	<u>\$ 552,140</u>	<u>\$ (3,714,966)</u>
<u>\$ (268,611)</u>	<u>\$ 804,321</u>	<u>1,240,457</u>	<u>\$ 6,171,993</u>
<u>\$ (330,894)</u>	<u>\$ 912,218</u>	<u>\$ 1,792,597</u>	<u>\$ 2,457,028</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, 2011

Net Change in *Fund Balances* - Total Governmental Funds \$ (3,714,966)

The change in net assets 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 capital outlays exceeded depreciation in the current year.

Capital Asset Additions	\$ 9,860,639	
Current Year Depreciation Expense	<u>(1,803,670)</u>	8,056,969

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

Debt Proceeds	\$ (6,005,000)	
Bond Discounts	70,363	
Bond Issuance Costs	28,675	
Repayment of Debt	<u>4,275,000</u>	(1,630,962)

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 assets. 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		(36,764)
------------------------------------	--	----------

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	\$ (6,015)	
Amortization of Bond Discounts	(24,021)	
Amortization of Bond Costs	(14,526)	
Net Decrease in Interest Payable	<u>2,492</u>	(42,070)

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.

(27,766)

Change in Net Assets of Governmental Activities		<u>\$ 2,604,441</u>
---	--	---------------------

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, 2011

---

**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 assets 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 #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.

*Drain #53M (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.

*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, Normanna Township Improvement, Kensington, Sewer, Bakke Sewer, Round Hill Sewer Improvement District, Harwood Township, Wild Rice River Bank Stabilization, Sheyenne-Maple Flood Control District #1 and Sheyenne-Maple Flood Control District #2 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, Drain #27, Harwood Township #65, St. Benedicts, Eagle Run, Holmen’s Brink, Maple Grove, Normanna, Maple River Dam, Kensington, Bakke Subdivision and Round Hill Sewer.

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

*Government-wide Financial Statements.* The government-wide fund 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.

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

---

*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 assets 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.

All governmental funds of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

**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:

<b>Asset Type:</b>	<b>Years</b>
Equipment	5 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.

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

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 assets. Bond premiums, discounts and issuance costs are capitalized and amortized over the life of the related bond issue using the straight-line method.

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 Assets Equity

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***

On March 11, 2009 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal periods that begin after June 15, 2010. This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

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

<b>CLASSIFICATION</b>	<b>DEFINITION</b>	<b>EXAMPLES</b>
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.

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

<b>CLASSIFICATION</b>	<b>DEFINITION</b>	<b>EXAMPLES</b>
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	Available for any remaining general fund expenditure.

Southeast Cass Water Resource District only has restricted, committed and unassigned fund balances at December 31, 2011.

Restricted & Committed Fund Balances – consist of the following items at December 31, 2011:

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 3<sup>rd</sup> 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 Assets Equity:**

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.

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

Net assets equity in the statement of net assets is shown by primary function (as fund balance are shown) and is restricted for construction, maintenance, bridge replacement and repair, flood repair, health & welfare, emergencies and other purposes.

**I. 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.

## SOUTHEAST CASS WATER RESOURCE DISTRICT

### Notes to the Financial Statements – Continued

---

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.

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

---

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

At year ended December 31, 2011, the water resource district's carrying amount of deposits was \$5,494,403 and the bank balance was \$5,618,019 of the bank balances, \$382,792 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, 2011, 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 four 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.

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.

**SOUTHEAST CASS WATER RESOURCE DISTRICT**

Notes to the Financial Statements – Continued

**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: 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 7: CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended December 31, 2011:

<b>Governmental Activities:</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfer</b>	<b>Balance December 31</b>
<i>Capital assets not being depreciated:</i>					
Land	\$ 8,722,171	\$ 336,900	\$ -	\$ -	\$ 9,059,071
Construction in Progress	3,402,235	9,523,739	-	(1,397,069)	11,528,905
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$12,124,406</b>	<b>\$ 9,860,639</b>	<b>\$ -</b>	<b>\$(1,397,069)</b>	<b>\$20,587,976</b>
<i>Capital assets being depreciated:</i>					
Facilities	\$70,149,000	\$ -	\$ -	\$ 757,732	\$70,906,732
Projects	18,637,453	-	-	639,337	19,276,790
Equipment	40,000	-	-	-	40,000
<b>Total Capital Assets, Being Depreciated</b>	<b>\$88,826,453</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,397,069</b>	<b>\$90,223,522</b>
<i>Less Accumulated Depreciation for:</i>					
Facilities	\$18,580,780	\$ 1,418,135	\$ -	\$ -	\$19,998,915
Projects	3,181,121	385,536	-	-	3,566,657
Equipment	40,000	-	-	-	40,000
<b>Total Accumulated Depreciation</b>	<b>\$21,801,901</b>	<b>\$ 1,803,671</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$23,605,572</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$67,024,552</b>	<b>\$(1,803,671)</b>	<b>\$ -</b>	<b>\$ 1,397,069</b>	<b>\$66,617,951</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$79,148,958</b>	<b>\$ 8,056,968</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$87,205,927</b>

**NOTE 8: 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 SMFCD #1 Maintenance, SMFCD #2 Maintenance, Drain #27, Drain #53, Orchard Park Sewer and Round Hill Sewer projects not yet completed at year-end.

**NOTE 9: BENEFITS PAYABLE**

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

**NOTE 10: 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 #2, Maple River Dam Maintenance, Drain #53M, Capital Project funds and various non-major funds as outlined in the non-major funds combining balance sheet totaling \$2,911,398 covered by the General and Debt Service Funds.

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

**NOTE 11: DEFERRED REVENUES**

Deferred revenues 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 12: INTEREST PAYABLE**

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

**NOTE 13: LONG-TERM DEBT**

**Changes in Long-Term Liabilities** - During the year ended December 31, 2011, the following changes occurred in liabilities reported in long-term liabilities:

	<b>Balance 1-1-11</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12-31-11</b>	<b>Due Within One Year</b>
Bonds Payable	\$5,764,000	\$6,005,000	\$(4,240,000)	\$7,529,000	\$1,055,000
Less Deferred Amounts:					
Bond Discount	51,177	70,363	(24,021)	97,518	16,122
Bond Issuance Costs	37,635	28,675	(14,526)	51,784	8,287
Total Bonds Payable	\$5,675,189	\$5,905,962	\$(4,201,453)	\$7,379,698	\$1,030,591
Loans Payable	\$ 598,279	\$ -	\$ (35,000)	\$ 563,279	\$ 40,000
Compensated Absences	\$ 5,992	\$ 9,638	\$ (3,623)	\$ 12,007	\$ 12,007
<b>TOTAL</b>	<b>\$6,279,460</b>	<b>\$5,519,600</b>	<b>\$(4,240,076)</b>	<b>\$7,954,984</b>	<b>\$1,082,598</b>

Long-term debt at December 31, 2011 is comprised of the following:

**Special Assessment Bonds:**

\$3,345,000, 2011 Improvement Bonds, Series B, due in annual installments of \$520,000 to \$775,000 through 2017; interest at .55% to 1.75%	\$3,345,000
\$780,000, 2011 Improvement Bonds, Series A, due in annual installments of \$65,000 to \$145,000 through 2017; interest at .55% to 1.75%	780,000
\$2,320,000 2008 Refunding Improvement Bonds, due in annual installments of \$65,000 to \$280,000 through 2018; interest at 2.65% to 3.5%.	1,440,000
\$1,880,000 2011 Improvement Bonds due in annual installments of \$180,000 to \$235,000 through 2020; interest at .75% to 2.7%.	1,880,000
\$214,000 1998 State Revolving Loan Fund Municipal Bond Bank, due in annual installments of \$10,000 to \$15,000 through 2018; interest at 2.5%.	<u>84,000</u>
Total Special Assessment Bonds Payable	<u>\$7,529,000</u>

**Loans Payable:**

\$738,279 State Revolving Loan Fund loan drawdown. Maximum drawdown amount is up to \$850,000. Due in annual installments of \$40,000 to \$55,000 through 2024; interest at 2.5%. There is no current set payment schedule until all monies have been drawn.	<u>\$ 563,279</u>
Total Long-term Debt (excluding Compensated Absences)	<u>\$8,092,279</u>

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

The annual requirements to amortize all debt outstanding, excluding compensated absences as of December 31, 2011 are as follows:

<b>GOVERNMENTAL ACTIVITIES</b>				
<b>Year Ending December 31</b>	<b>Special Assessment Bonds Payable</b>		<b>Loans Payable</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2012	\$1,055,000	\$123,446	\$ 40,000	\$ 14,082
2013	1,115,000	115,223	40,000	13,082
2014	1,120,000	99,185	40,000	12,082
2015	1,120,000	80,354	40,000	11,082
2016	1,140,000	58,074	40,000	10,082
2017 – 2021	1,979,000	63,240	220,000	34,660
2022 – 2026	-	-	143,279	6,996
<b>TOTALS</b>	<b>\$7,529,000</b>	<b>\$539,522</b>	<b>\$563,279</b>	<b>\$102,066</b>

**NOTE 14: JOINT VENTURES**

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 Richland County, Grand Forks County, Pembina County, Traill County, Steele County, Walsh County, Nelson County, Ransom County, and Sargent County to establish and operate a joint exercise of powers agreement for 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, 2011, which is the most current audited information available:

Total Assets	\$4,972,670
Total Liabilities	<u>447,210</u>
Total Equity	<u>4,525,460</u>
Revenues	1,440,397
Expenses	<u>897,230</u>
Change in Net Assets	<u>\$ 543,167</u>

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.

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

---

**NOTE 15: DEFICIT CASH FUND BALANCES**

The water resource district had the following deficit cash fund balances at December 31, 2011:

<b>Funds</b>	<b>Amounts</b>
<b>Special Revenue Funds:</b>	
SMFCD #2 Maintenance	\$ (111,391)
Maple River Dam Maintenance	(399,163)
Drain #53M	(1,652,051)
Drain #21C	(99,903)
Drain #50	(7,861)
Normanna Township Imp #60	(49,761)
Holmen's Stormwater 2004-1	(3,377)
Harwood Township Imp #65	(665)
<b>Capital Project Funds</b>	<b>(587,226)</b>

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 16: 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 \$1,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

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

**NOTE 17: CONSTRUCTION COMMITMENTS**

The Southeast Cass Water Resource District has the following open construction contracts with balances owing at December 31, 2011:

Location	Project	Contract Amount	Total Completed	Retainage	Remaining Balance
Orchard Park	Orchard Park Sewer System	\$ 122,255	\$ 126,945	\$ 6,347	\$ 1,657
Round Hill	Round Hill Sewer System	397,208	267,527	26,753	156,434
Shey River	Shey Diversion Pump Station	188,190	156,134	15,613	47,699
Drain #27	Drainage/Flood Control	1,078,751	971,907	48,595	155,439
Drain #53	Drainage/Flood Control	1,593,715	1,625,635	81,282	49,362
Shey River	Low Flow Channel Improve.	5,854,190	5,612,126	361,003	603,067
	<b>TOTAL</b>	<b>\$9,229,310</b>	<b>\$8,812,717</b>	<b>\$325,157</b>	<b>\$741,750</b>

**NOTE 18: LEGAL COMPLIANCE - BUDGETS**

BUDGET AMENDMENTS

The board of water resource district commissioners amended the water resource district budget for 2011 as follows:

Fund	REVENUES		
	Original Budget	Amendment	Amended Budget
<u>Major Funds:</u>			
General Fund	\$2,076,705	\$ 73,555	\$2,150,260
SMFCD #1	493,435	1,513,865	2,007,300
SMFCD #2	418,110	799,835	1,217,945
Maple River Dam Maintenance	325,445	18,275	343,720
Drain #27	181,460	538,140	719,600
Drain #53	22,240	964,420	986,660
Capital Project Funds	-	128,835	128,835
Debt Service Funds	737,540	1,891,905	2,629,445
<u>Non Major Funds:</u>			
Drain #3	195,275	2,460	197,735
Drain #9	9,045	1,220	10,265
Drain #10	214,135	(1,675)	212,460
Drain #21	11,415	5,925	17,340
Drain #21C	14,670	(310)	14,360
Drain #35	8,200	115	8,315
Drain #40	307,115	8,360	315,475
Drain #45	102,485	2,450	104,935
Drain #47	4,085	60	4,145
Drain #50	1,710	(35)	1,675
Drain #51	1,360	110	1,470
Country Acres Imp. District 2001-6	2,060	250	2,310
Normanna Twp. Imp. District #60	5,620	(190)	5,430
Holmen's Stormwater Imp. District	2,060	250	2,310
Harwood Twp. Imp. District #65	2,120	390	2,510

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

Fund	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
<u>Major Funds:</u>			
General Fund	\$3,266,705	\$(1,041,330)	\$2,225,375
SMFCD #1	490,000	1,209,515	1,699,515
SMFCD #2	415,000	1,495,520	1,910,520
Maple River Dam Maintenance	100,000	471,880	571,880
Drain #27	181,460	655,085	836,545
Drain #53	22,240	1,376,440	1,398,680
Capital Project Funds	-	459,930	459,930
Debt Service Funds	638,100	2,009,730	2,647,830
<u>Non Major Funds:</u>			
Drain #3	10,000	(8,955)	1,045
Drain #9	1,000	1,430	2,430
Drain #10	20,000	(950)	19,050
Drain #21	5,000	15,845	20,845
Drain #21C	5,000	24,955	29,955
Drain #35	5,000	5,075	10,075
Drain #40	300,000	(85,850)	214,150
Drain #45	10,000	(4,890)	5,110
Drain #47	2,000	1,080	3,080
Drain #50	1,000	3,115	4,115
Drain #51	1,000	(375)	625
Country Acres Imp. District 2001-6	1,000	5,370	6,370
Normanna Twp. Imp. District #60	1,000	20,265	21,265
Holmen's Stormwater Imp. District	1,000	1,125	2,125
Harwood Twp. Imp. District #65	1,000	(695)	305

**NOTE 19: TRANSFERS**

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2011:

	Transfers In	Transfers Out
<u>Major Funds:</u>		
General Fund	\$ 10,667	\$ 1,020
Sheyenne-Maple #1 Maintenance	-	72,510
Sheyenne-Maple #2 Maintenance	-	8,431
Drain #27	-	87,686
Capital Project Funds	21,176	-
Debt Service Funds	168,628	30,823
<b>Total Transfers</b>	<b>\$200,471</b>	<b>\$200,471</b>

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.

SOUTHEAST CASS WATER RESOURCE DISTRICT  
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 1,719,145	\$ 1,659,305	\$ 1,663,901	\$ 4,596
Intergovernmental	117,560	453,620	653,495	199,875
Interest Income	40,000	22,495	22,493	(2)
Miscellaneous	200,000	14,840	14,844	4
Total Revenues	<u>\$ 2,076,705</u>	<u>\$ 2,150,260</u>	<u>\$ 2,354,733</u>	<u>\$ 204,473</u>
<u>Expenditures:</u>				
Current:				
Conservation of Natural Resources	\$ 2,076,705	\$ 1,957,255	\$ 1,957,171	\$ 84
Capital Outlay	1,190,000	268,120	402,504	(134,384)
Total Expenditures	<u>\$ 3,266,705</u>	<u>\$ 2,225,375</u>	<u>\$ 2,359,675</u>	<u>\$ (134,300)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,190,000)</u>	<u>\$ (75,115)</u>	<u>\$ (4,942)</u>	<u>\$ 70,173</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ 10,670	\$ 10,667	\$ (3)
Transfers Out	-	(1,020)	(1,020)	-
Total Other Financing Sources and Uses	<u>\$ -</u>	<u>\$ 9,650</u>	<u>\$ 9,647</u>	<u>\$ (3)</u>
Net Changes in Fund Balances	<u>\$ (1,190,000)</u>	<u>\$ (65,465)</u>	<u>\$ 4,705</u>	<u>\$ 70,170</u>
Fund Balance - January 1	<u>\$ 4,548,512</u>	<u>\$ 4,548,512</u>	<u>\$ 4,548,512</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 3,358,512</u>	<u>\$ 4,483,047</u>	<u>\$ 4,553,217</u>	<u>\$ 70,170</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 #1 MAINTENANCE FUND  
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 493,435	\$ 2,007,300	\$ 493,457	\$ (1,513,843)
Intergovernmental	-	-	47,426	47,426
Interest Income	-	-	3,524	3,524
Miscellaneous	-	-	20,785	20,785
<b>Total Revenues</b>	<b>\$ 493,435</b>	<b>\$ 2,007,300</b>	<b>\$ 565,191</b>	<b>\$ (1,442,109)</b>
<u>Expenditures:</u>				
Current:				
Conservation of Natural Resources	\$ 490,000	\$ 1,699,515	\$ 789,329	\$ 910,186
Capital Outlay	-	-	3,216,964	(3,216,964)
<b>Total Expenditures</b>	<b>\$ 490,000</b>	<b>\$ 1,699,515</b>	<b>\$ 4,006,293</b>	<b>\$ (2,306,778)</b>
Excess (Deficiency) of Revenues Over Expenditures	<b>\$ 3,435</b>	<b>\$ 307,785</b>	<b>\$ (3,441,102)</b>	<b>\$ (3,748,887)</b>
<u>Other Financing Sources (Uses):</u>				
Bond Proceeds	\$ -	\$ -	\$ 1,500,000	\$ 1,500,000
Bond Discount	-	-	(10,025)	(10,025)
Bond Issuance Costs	-	-	(1,475)	(1,475)
Transfers Out	-	-	(72,510)	(72,510)
<b>Total Other Financing Sources and Uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,415,990</b>	<b>\$ 1,415,990</b>
<b>Net Changes in Fund Balances</b>	<b>\$ 3,435</b>	<b>\$ 307,785</b>	<b>\$ (2,025,112)</b>	<b>\$ (2,332,897)</b>
Fund Balance - January 1	\$ 532,560	\$ 532,560	\$ 532,560	\$ -
<b>Fund Balance - December 31</b>	<b>\$ 535,995</b>	<b>\$ 840,345</b>	<b>\$ (1,492,552)</b>	<b>\$ (2,332,897)</b>

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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 418,110	\$ 1,217,945	\$ 439,839	\$ (778,106)
Intergovernmental	-	-	389	389
Interest Income	-	-	3,792	3,792
Miscellaneous	-	-	4,749	4,749
<b>Total Revenues</b>	<b>\$ 418,110</b>	<b>\$ 1,217,945</b>	<b>\$ 448,770</b>	<b>\$ (769,175)</b>
<u>Expenditures:</u>				
Current:				
Conservation of Natural Resources	\$ -	\$ -	\$ 401,441	\$ (401,441)
Capital Outlay	415,000	1,910,520	2,578,310	(667,790)
<b>Total Expenditures</b>	<b>\$ 415,000</b>	<b>\$ 1,910,520</b>	<b>\$ 2,979,751</b>	<b>\$ (1,069,231)</b>
Excess (Deficiency) of Revenues Over Expenditures	<b>\$ 3,110</b>	<b>\$ (692,575)</b>	<b>\$ (2,530,981)</b>	<b>\$ (1,838,406)</b>
<u>Other Financing Sources (Uses):</u>				
Bond Proceeds	\$ -	\$ -	\$ 780,000	\$ 780,000
Bond Discount	-	-	(9,750)	(9,750)
Bond Issuance Costs	-	-	(11,000)	(11,000)
Transfers Out	-	-	(8,431)	(8,431)
<b>Total Other Financing Sources and Uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 750,819</b>	<b>\$ 750,819</b>
<b>Net Changes in Fund Balances</b>	<b>\$ 3,110</b>	<b>\$ (692,575)</b>	<b>\$ (1,780,163)</b>	<b>\$ (1,087,588)</b>
Fund Balance - January 1	\$ 581,181	\$ 581,181	\$ 581,787	\$ 607
Fund Balance - December 31	<b>\$ 584,291</b>	<b>\$ (111,394)</b>	<b>\$ (1,198,375)</b>	<b>\$ (1,086,981)</b>

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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 325,445	\$ 343,720	\$ 326,579	\$ (17,141)
Miscellaneous	-	-	17,687	17,687
Total Revenues	<u>\$ 325,445</u>	<u>\$ 343,720</u>	<u>\$ 344,266</u>	<u>\$ 546</u>
<u>Expenditures:</u>				
Current:				
Conservation of Natural Resources	\$ 100,000	\$ 571,880	\$ 254,723	\$ 317,157
Capital Outlay	-	-	306,143	(306,143)
Total Expenditures	<u>\$ 100,000</u>	<u>\$ 571,880</u>	<u>\$ 560,866</u>	<u>\$ 11,014</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 225,445</u>	<u>\$ (228,160)</u>	<u>\$ (216,600)</u>	<u>\$ 11,560</u>
Fund Balance - January 1	<u>\$ (193,122)</u>	<u>\$ (193,122)</u>	<u>\$ (193,122)</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 32,323</u>	<u>\$ (421,282)</u>	<u>\$ (409,722)</u>	<u>\$ 11,560</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 #27M FUND  
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 181,460	\$ 719,600	\$ 182,525	\$ (537,075)
Intergovernmental	-	-	621,736	621,736
Interest Income	-	-	1,098	1,098
Total Revenues	<u>\$ 181,460</u>	<u>\$ 719,600</u>	<u>\$ 805,359</u>	<u>\$ 85,759</u>
<u>Expenditures:</u>				
Current:				
Conservation of Natural Resources	\$ 181,460	\$ 836,545	\$ 131,556	\$ 704,989
Capital Outlay	-	-	542,758	(542,758)
Total Expenditures	<u>\$ 181,460</u>	<u>\$ 836,545</u>	<u>\$ 674,314</u>	<u>\$ 162,231</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ (116,945)</u>	<u>\$ 131,045</u>	<u>\$ 247,990</u>
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ -	\$ -	\$ (87,686)	\$ (87,686)
Net Changes in Fund Balances	<u>\$ -</u>	<u>\$ (116,945)</u>	<u>\$ 43,359</u>	<u>\$ 160,304</u>
Fund Balance - January 1	<u>\$ 196,986</u>	<u>\$ 196,986</u>	<u>\$ 196,986</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 196,986</u>	<u>\$ 80,041</u>	<u>\$ 240,345</u>	<u>\$ 160,304</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 #53M FUND  
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 22,240	\$ 986,660	\$ 22,433	\$ (964,227)
Intergovernmental	-	-	1,102,953	1,102,953
Miscellaneous	-	-	196	196
<b>Total Revenues</b>	<b>\$ 22,240</b>	<b>\$ 986,660</b>	<b>\$ 1,125,583</b>	<b>\$ 138,923</b>
<u>Expenditures:</u>				
Current:				
Conservation of Natural Resources	\$ 22,240	\$ 1,398,680	\$ 150,127	\$ 1,248,553
Capital Outlay	-	-	1,314,365	(1,314,365)
<b>Total Expenditures</b>	<b>\$ 22,240</b>	<b>\$ 1,398,680</b>	<b>\$ 1,464,492</b>	<b>\$ (65,812)</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (412,020)	\$ (338,909)	\$ 73,111
Fund Balance - January 1	\$ (1,270,897)	\$ (1,270,897)	\$ (1,270,897)	\$ -
Fund Balance - December 31	<b>\$ (1,270,897)</b>	<b>\$ (1,682,917)</b>	<b>\$ (1,609,806)</b>	<b>\$ 73,111</b>

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, 2011

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 2011, the Southeast Cass Water Resource District had the following fund expenditures in excess of budgeted amounts:

	Budget	Actual	Excess
General Fund	\$2,225,375	\$2,359,675	\$ (134,300)
<u>Special Revenue Funds:</u>			
SMFCD #1 Maintenance	1,699,515	4,008,964	(2,309,449)
SMFCD #2 Maintenance	1,910,520	2,762,644	(852,124)
Drain #53	1,398,680	1,464,492	(65,812)

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

SOUTHEAST CASS WATER RESOURCE DISTRICT  
West Fargo, North Dakota

COMBINING BALANCE SHEET - NON-MAJOR FUNDS  
For the Year Ended December 31, 2011

	Drain #3M	Drain #9M	Drain #10	Drain #21M	Drain #21C	Drain #35M	Drain #40M	Drain #45M	Drain #47M
<b>ASSETS</b>									
Cash and Cash Equivalents	\$ 550,253	\$ 666	\$ 540,817	\$ 28,602	\$ -	\$ 21,724	\$ 339,297	\$ 429,849	\$ 8,778
Taxes Receivable	4,972	32	2,757	248	223	20	2,556	609	71
Due from County	1,584	-	221	8	-	-	150	107	-
<b>Total Assets</b>	<b>\$ 556,808</b>	<b>\$ 698</b>	<b>\$ 543,795</b>	<b>\$ 28,858</b>	<b>\$ 223</b>	<b>\$ 21,744</b>	<b>\$ 342,003</b>	<b>\$ 430,565</b>	<b>\$ 8,849</b>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>Liabilities:</b>									
Accounts Payable	\$ 12	\$ 63	\$ 348	\$ 139	\$ 42	\$ 30	\$ 42	\$ 57	\$ 30
Due to Other Funds	-	-	-	-	99,903	-	-	-	-
Deferred Revenue	4,972	32	2,757	248	223	20	2,556	609	71
<b>Total Liabilities</b>	<b>\$ 4,984</b>	<b>\$ 95</b>	<b>\$ 3,105</b>	<b>\$ 387</b>	<b>\$ 100,168</b>	<b>\$ 50</b>	<b>\$ 2,598</b>	<b>\$ 666</b>	<b>\$ 101</b>
<b>Fund Balances:</b>									
Restricted	\$ 551,824	\$ 602	\$ 540,690	\$ 28,470	\$ -	\$ 21,694	\$ 339,405	\$ 429,899	\$ 8,747
Unassigned	-	-	-	-	(99,945)	-	-	-	-
<b>Total Fund Balances</b>	<b>\$ 551,824</b>	<b>\$ 602</b>	<b>\$ 540,690</b>	<b>\$ 28,470</b>	<b>\$ (99,945)</b>	<b>\$ 21,694</b>	<b>\$ 339,405</b>	<b>\$ 429,899</b>	<b>\$ 8,747</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 556,808</b>	<b>\$ 698</b>	<b>\$ 543,795</b>	<b>\$ 28,858</b>	<b>\$ 223</b>	<b>\$ 21,744</b>	<b>\$ 342,003</b>	<b>\$ 430,565</b>	<b>\$ 8,849</b>

	Drain #50M	Drain #51M	County Acres 2001-6	Normanna Twp. #60	Holmen's Storm- water	Harwood Twp. Impr. #65	Maple River Dam Land Mgmt.	Total Nonmajor Governmental Funds
<u>ASSETS</u>								
Cash and Cash Equivalents	\$ -	\$ 20,547	\$ 12,394	\$ -	\$ -	\$ -	\$ 57	\$ 1,952,984
Taxes Receivable	316	24	330	41	11	-	-	12,210
Due from County	-	-	-	-	-	-	-	2,069
<b>Total Assets</b>	<b>\$ 316</b>	<b>\$ 20,572</b>	<b>\$ 12,725</b>	<b>\$ 41</b>	<b>\$ 11</b>	<b>\$ -</b>	<b>\$ 57</b>	<b>\$ 1,967,264</b>
<u>LIABILITIES AND FUND BALANCES</u>								
<u>Liabilities:</u>								
Accounts Payable	\$ 18	\$ 12	\$ -	\$ 21	\$ 73	\$ -	\$ -	\$ 889
Due to Other Funds	7,861	-	-	49,761	3,377	665	-	161,567
Deferred Revenue	316	24	330	41	11	-	-	12,210
<b>Total Liabilities</b>	<b>\$ 8,195</b>	<b>\$ 36</b>	<b>\$ 330</b>	<b>\$ 49,823</b>	<b>\$ 3,462</b>	<b>\$ 665</b>	<b>\$ -</b>	<b>\$ 174,666</b>
<u>Fund Balances:</u>								
Restricted	\$ -	\$ 20,535	\$ 12,394	\$ -	\$ -	\$ -	\$ 57	\$ 1,954,319
Unassigned	(7,879)	-	-	(49,782)	(3,451)	(665)	-	(161,721)
<b>Total Fund Balances</b>	<b>\$ (7,879)</b>	<b>\$ 20,535</b>	<b>\$ 12,394</b>	<b>\$ (49,782)</b>	<b>\$ (3,451)</b>	<b>\$ (665)</b>	<b>\$ 57</b>	<b>\$ 1,792,597</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 316</b>	<b>\$ 20,572</b>	<b>\$ 12,725</b>	<b>\$ 41</b>	<b>\$ 11</b>	<b>\$ -</b>	<b>\$ 57</b>	<b>\$ 1,967,264</b>

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, 2011

	Drain #3M	Drain #9M	Drain #10	Drain #21M	Drain #21C	Drain #35M	Drain #40M	Drain #45M	Drain #47M
<u>Revenues:</u>									
Taxes	\$ 186,528	\$ 9,014	\$ 209,485	\$ 17,118	\$ 14,778	\$ 8,195	\$ 311,792	\$ 102,956	\$ 4,096
Intergovernmental	-	1,247	-	-	-	-	1,261	-	-
Miscellaneous	2,494	1	2,514	209	-	121	2,013	2,016	49
<b>Total Revenues</b>	<b>\$ 189,022</b>	<b>\$ 10,262</b>	<b>\$ 211,999</b>	<b>\$ 17,327</b>	<b>\$ 14,778</b>	<b>\$ 8,316</b>	<b>\$ 315,066</b>	<b>\$ 104,972</b>	<b>\$ 4,144</b>
<u>Expenditures:</u>									
Current:									
Conserv. of Natural Resources	\$ 1,054	\$ 997	\$ 5,164	\$ 5,129	\$ 15,046	\$ 10,105	\$ 12,931	\$ 2,141	\$ 1,746
Capital Outlay	-	1,494	14,231	15,546	15,370	-	201,090	677	1,365
<b>Total Expenditures</b>	<b>\$ 1,054</b>	<b>\$ 2,491</b>	<b>\$ 19,395</b>	<b>\$ 20,675</b>	<b>\$ 30,416</b>	<b>\$ 10,105</b>	<b>\$ 214,021</b>	<b>\$ 2,817</b>	<b>\$ 3,111</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 187,968	\$ 7,771	\$ 192,604	\$ (3,349)	\$ (15,638)	\$ (1,789)	\$ 101,045	\$ 102,155	\$ 1,033
Net Change in Fund Balances	\$ 187,968	\$ 7,771	\$ 192,604	\$ (3,349)	\$ (15,638)	\$ (1,789)	\$ 101,045	\$ 102,155	\$ 1,033
Fund Balance - January 1	\$ 363,857	\$ (7,169)	\$ 348,086	\$ 31,819	\$ (84,306)	\$ 23,483	\$ 238,359	\$ 327,745	\$ 7,714
Fund Balance - December 31	\$ 551,825	\$ 602	\$ 540,690	\$ 28,470	\$ (99,944)	\$ 21,694	\$ 339,404	\$ 429,900	\$ 8,747

	Drain #50M	Drain #51M	County Acres 2001-6	Normanna Twp #60	Holmen's Stormwater	Harwood Twp. Impr. #65	Maple River Dam Mgmt.	Nonmajor Governmental Funds
<u>Revenues:</u>								
Taxes	\$ 1,697	\$ 1,368	\$ 2,188	\$ 5,612	\$ 2,323	\$ 2,120	\$ -	\$ 879,270
Intergovernmental	-	-	-	-	-	-	-	2,508
Miscellaneous	-	102	83	-	-	-	-	9,601
<b>Total Revenues</b>	<b>\$ 1,697</b>	<b>\$ 1,470</b>	<b>\$ 2,271</b>	<b>\$ 5,612</b>	<b>\$ 2,323</b>	<b>\$ 2,120</b>	<b>\$ -</b>	<b>\$ 891,379</b>
<u>Expenditures:</u>								
Current:								
Conserv. of Natural Resources	\$ 4,160	\$ 635	\$ 6,369	\$ 12,443	\$ 2,211	\$ 310	\$ -	\$ 80,441
Capital Outlay	-	-	-	9,025	-	-	-	258,799
<b>Total Expenditures</b>	<b>\$ 4,160</b>	<b>\$ 635</b>	<b>\$ 6,369</b>	<b>\$ 21,468</b>	<b>\$ 2,211</b>	<b>\$ 310</b>	<b>\$ -</b>	<b>\$ 339,239</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,463)	\$ 835	\$ (4,099)	\$ (15,856)	\$ 112	\$ 1,811	\$ -	\$ 552,140
Net Change in Fund Balances	\$ (2,463)	\$ 835	\$ (4,099)	\$ (15,856)	\$ 112	\$ 1,811	\$ -	\$ 552,140
Fund Balance - January 1	\$ (5,416)	\$ 19,700	\$ 16,493	\$ (33,926)	\$ (3,563)	\$ (2,476)	\$ 57	\$ 1,240,457
Fund Balance - December 31	\$ (7,879)	\$ 20,535	\$ 12,394	\$ (49,782)	\$ (3,451)	\$ (665)	\$ 57	\$ 1,792,597

STATE AUDITOR

ROBERT R. PETERSON  
Phone (701) 328-2241  
Fax (701) 328-1406



Local Government Division:  
FARGO OFFICE  
MANAGER – DAVID MIX  
Phone: (701) 239-7252 Fax: (701) 239-7251

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

---

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

---

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, as of and for the year ended December 31, 2011, which collectively comprise Southeast Cass Water Resource District's basic financial statements and have issued our report thereon dated June 20, 2012. 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**

Management of Southeast Cass Water Resource District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Southeast Cass Water Resource District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Southeast Cass Water Resource District'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 entity'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 was 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 deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified one deficiency in internal control over financial reporting, described in the accompanying *schedule of findings and questioned costs* as item 2011-01 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**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*.

We noted one matter that we reported to management of Southeast Cass Water Resource District in a separate letter dated June 20, 2012.

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*. We did not audit Southeast Cass Water Resource District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the governing board, and others within the district, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Bob Peterson". The signature is fluid and cursive, with a large initial "B" and "P".

Robert R. Peterson  
State Auditor

June 20, 2012

