

# **OFFICE OF STATE AUDITOR**

## **AUDIT REPORT**

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

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

**FOR THE YEAR ENDED DECEMBER 31, 2012**



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NORTH CASS WATER RESOURCE DISTRICT  
West Fargo, North Dakota

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For the Year Ended December 31, 2012

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NORTH CASS WATER RESOURCE DISTRICT  
West Fargo, North Dakota

**DISTRICT OFFICIALS**

December 31, 2012

Michael Buringrud  
Wesley Ecker  
Robert Thompson

Chairman  
Vice Chairman  
Manager

Carol Harbeke Lewis

Secretary-Treasurer

Sean M. Fredricks

Attorney

**STATE AUDITOR**

ROBERT R. PETERSON  
Phone (701) 328-2241  
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Local Government Division:  
FARGO OFFICE  
MANAGER – DAVID MIX  
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STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
STATE CAPITOL  
600 E. BOULEVARD AVENUE - DEPT. 117  
BISMARCK, NORTH DAKOTA 58505

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**UNMODIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED  
SUPPLEMENTARY INFORMATION AND OTHER INFORMATION**

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Independent Auditor's Report

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North 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, 2012, and the related notes to the financial statements, which collectively comprise the Water Resource District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**NORTH CASS WATER RESOURCE DISTRICT**

Unmodified Opinions on Basic Financial Statements Accompanied by Required Supplementary Information and Other Information - Continued

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**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 North Cass Water Resource District, West Fargo, North Dakota, a component unit of Cass County, Fargo, North Dakota, as of December 31, 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis and budgetary comparison information* on pages 4-8 and 29-35 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.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rush North Cass Water Resource District's basic financial statements. The *combining balance sheet and combining income statement* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2013 on our consideration of North Cass Water Resource District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Cass Water Resource District's internal control over financial reporting and compliance.



Robert R. Peterson  
State Auditor

May 17, 2013

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NORTH CASS WATER RESOURCE DISTRICT  
West Fargo, North Dakota

MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2012

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The Management's Discussion and Analysis (MD&A) of North Cass Water Resource District's financial performance provides an overall review of the District's financial activities for the fiscal year ended December 31, 2012. 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 2012 are as follows:

- Net position of North Cass Water Resource District increased \$99,808 as a result of the current year's operations.
- Governmental net position as of the end of the fiscal year totaled \$5,288,799.
- Total revenues from all sources were \$529,682 on the government-wide statement of activities and \$545,967 on the modified accrual basis.
- Total expenses were \$429,874 on the government-wide statement of activities and total expenditures were \$529,296 on the modified accrual basis.
- The District's general fund had \$65,198 in total revenues and \$75,920 in total expenditures. Overall, the general fund balance decreased by \$10,723 for the year ended December 31, 2012.

### **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 North Cass Water Resource District as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's general fund (including North Cass WRD Obligated Funds), Drain NC-1, Drain NC-2, Drain #13, Drain #25, Drain #26, Drain #55, 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 Position and Statement of Activities

These statements are summaries of all the funds used by the North 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, 2012?"

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

The Statement of Activities presents information on how the District's net position changed during the fiscal year. This statement is presented using the accrual basis of accounting, which means that all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes and special assessments, and earned but unused vacation leave).

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

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

## **REPORTING ON THE DISTRICT'S MOST SIGNIFICANT FUNDS**

### Balance Sheet – Governmental Funds

The District uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and contributions). The fund basis financial statements allow the District to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the District's major funds. Using the criteria established by GASB Statement No. 34, general fund (including NC WRD Obligated Funds), Drain NC-1, Drain NC-2, Drain #13, Drain #25, Drain #26, Drain #55, 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 and Current Liabilities between the December 31, 2011 and December 31, 2012 fiscal years. Capital assets decreased due to depreciation on existing facilities and projects. The long-term assets were decreased by payments on special assessments receivable during the year. The decrease in current liabilities was due to the decrease of accounts payable and interest payable from one year-end to the other.

The District's net position of \$5,288,799 is segregated into three separate categories. Net position invested in capital assets represents 92% of the District's total net position. It should be noted that these assets are not available for future spending. Restricted net position represents 8% of the District's net position, while unrestricted net position was negative. Restricted net position represents resources that are subject to external restrictions on how they must be spent. The unrestricted net position is available to meet the District's ongoing obligations.

**TABLE 1**  
**NET POSITION**  
 December 31, 2012 and 2011

	2012	2011
<b>Assets:</b>		
Current Assets	\$ 389,264	\$ 457,379
Long-Term Assets	81,935	98,882
Capital Assets (net of accumulated depreciation)	5,002,658	5,142,513
<b>Total Assets</b>	<b>\$5,473,857</b>	<b>\$5,698,773</b>
<b>Liabilities:</b>		
Current Liabilities	\$ 25,223	\$ 111,735
Long-Term Liabilities	159,834	398,047
<b>Total Liabilities</b>	<b>\$ 185,057</b>	<b>\$ 509,781</b>
<b>NET POSITION:</b>		
Net Investment in Capital Assets	\$4,845,119	\$4,746,467
Restricted	445,492	323,298
Unrestricted	(1,811)	119,209
<b>Total Net Position</b>	<b>\$5,288,799</b>	<b>\$5,188,976</b>

Table II shows the changes in net position for the fiscal years ended December 31, 2012 and 2011.

**TABLE II**  
**CHANGES IN NET POSITION**  
 As of December 31, 2012 and 2011

	2012	2011
<b>Revenues</b>		
<b>Program Revenues:</b>		
Capital Grants & Contributions	\$ 197,307	\$ 277,751
Operating Grants & Contributions	194,834	-
<b>General Revenues:</b>		
Property Taxes & Drain Taxes	131,291	41,761
Non-restricted Grants & Contributions	3,008	6,481
Interest Earnings & Miscellaneous Revenue	3,242	3,417
<b>Total Revenues</b>	<b>\$ 529,682</b>	<b>\$ 329,410</b>
<b>Expenses</b>		
Conservation of Natural Resources	\$ 410,006	\$ 338,490
Interest and Service Charges	19,868	21,595
<b>Total Expenses</b>	<b>\$ 429,874</b>	<b>\$ 360,085</b>
Change in Net Position	\$ 99,808	\$ (30,675)
Net Position – January 1	\$5,188,991	\$5,219,668
<b>Net Position – December 31</b>	<b>\$5,288,799</b>	<b>\$5,188,991</b>

Property taxes & drain taxes constituted 25%, capital grants and contributions 37%, operating grants and contributions 36%, non-restricted grants and contributions 1%, and interest and miscellaneous revenues 1% of the total revenues of governmental activities of the District for fiscal year 2012. Cost share reimbursements (operating grants) from North Dakota Emergency Management decreased from 2011 to 2012.

Conservation of natural resources constituted 95% and interest and service charges 5% of total expenditures for governmental activities during fiscal year 2012.

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, 2012 and 2011

	Total Cost For Year Ended Dec. 31, 2012	Net Cost For Year Ended Dec. 31, 2012	Total Cost For Year Ended Dec. 31, 2011	Net Cost For Year Ended Dec. 31, 2011
Conservation of Natural Resources	\$410,033	\$(17,865)	\$338,490	\$(262,630)
Interest and Service Charges	19,868	(19,868)	21,595	180,296
Total Expenses	\$429,901	\$(37,733)	\$360,085	\$(82,333)

### 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. Unreserved 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 \$545,967 and expenditures of \$529,296 for the year ended December 31, 2012. As of December 31, 2012, the unassigned fund balance of the District's general fund was \$2,598, and total unassigned fund balance for the District's governmental funds was \$(107,709). The unassigned fund balance of the general fund decreased during the year ended December 31, 2012 primarily due to the increase in expenditures.

### GENERAL FUND BUDGET HIGHLIGHTS

During the course of fiscal year 2012 the North Cass Water Resource Board amended (increased) the District's general fund revenue budget by \$3,565. Additionally, the general fund expenditures budget was amended (increased) by \$11,165.

Actual revenue for the year ended December 31, 2012 was \$462 less than budgeted.

Actual expenditures for the year ended December 31, 2012 were over budget by \$1,660.

### CAPITAL ASSETS

As of December 31, 2012, the North Cass Water Resource District had \$4,845,119 net investment in capital assets. Table IV shows the capital assets balances at December 31, 2012 and 2011.

**TABLE IV**  
**CAPITAL ASSETS**  
 (Net of Accumulated Depreciation)  
 December 31, 2012 and 2011

	2012	2011
Land	\$1,048,154	\$1,048,154
Facilities	1,367,116	1,442,494
Projects	2,587,388	2,651,865
Total Capital Assets (net of accumulated depreciation)	\$5,002,658	\$5,142,513

This total represents a decrease of \$139,855 in capital assets from January 1, 2012. The decrease was due to depreciation on assets. 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, 2012, the North Cass Water Resource District had \$158,550 in outstanding debt (bonds payable) of which \$83,550 was due within one year. Bonds payable is reported in the statement of net position net of bond costs and discounts of \$1,011 for a total of \$157,539. \$2,295 was compensated absences.

No new debt was issued in 2012.

For a detailed breakdown of the long-term debt, readers are referred to Note 13 to the audited financial statements which follow analysis.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our taxpayers and creditors with a general overview of North Cass Water Resource District's 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, North Cass Water Resource District, 1201 Main Avenue West, West Fargo, ND 58078.

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NORTH CASS WATER RESOURCE DISTRICT  
West Fargo, North Dakota

STATEMENT OF NET POSITION  
December 31, 2012

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	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash and Cash Equivalents	\$ 382,466
Intergovernmental Receivable	1,974
Due from County	1,816
Taxes Receivable	3,002
Special Assessments Receivable	6
Long-Term Receivable:	
Uncertified Special Assessments Receivable	81,935
Capital Assets (not being depreciated):	
Land	1,048,154
Capital Assets (being depreciated):	
Facilities	1,367,116
Projects	2,587,388
Total Capital Assets	<u>\$ 5,002,658</u>
Total Assets	<u>\$ 5,473,857</u>
<u>LIABILITIES:</u>	
Accounts Payable	\$ 21,348
Benefits Payable	2,739
Interest Payable	1,136
Long-Term Liabilities:	
Due Within One Year:	
Bonds Payable	82,539
Compensated Absences Payable	2,295
Due After One Year:	
Bonds Payable	<u>75,000</u>
Total Liabilities	<u>\$ 185,057</u>
<u>NET POSITION:</u>	
Net Investment in Capital Assets	\$ 4,845,119
Restricted for:	
Conservation of Natural Resources	362,612
Debt Service	82,880
Unrestricted	<u>(1,811)</u>
Total Net Position	<u>\$ 5,288,800</u>

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

NORTH CASS WATER RESOURCE DISTRICT  
West Fargo, North Dakota

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
<u>Governmental Activities:</u>				
Conservation of Natural Resources	\$ 410,006	\$ 194,834	\$ 197,307	\$ (17,865)
Interest and Service Charges	19,868	-	-	(19,868)
<b>Total Governmental Activities</b>	<b>\$ 429,874</b>	<b>\$ 194,834</b>	<b>\$ 197,307</b>	<b>\$ (37,733)</b>
<u>General Revenues:</u>				
Taxes:				
General Taxes				\$ 43,875
Drain Taxes				87,416
Non-restricted Grants and Contributions				3,008
Interest Earnings				1,740
Miscellaneous Revenues				1,502
<b>Total General Revenues</b>				<b>\$ 137,541</b>
Change in Net Position				\$ 99,808
Net Position - January 1				\$ 5,188,991
Net Position - December 31				<b>\$ 5,288,799</b>

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

NORTH CASS WATER RESOURCE DISTRICT  
West Fargo, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS  
December 31, 2012

	Major Funds					
	General	Drain NC-1	Drain NC-2	Drain #13	Drain #25	Drain #26
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 27,397	\$ 46,223	\$ -	\$ 161,290	\$ -	\$ 74,643
Intergovernmental Receivable	1,974	-	-	-	-	-
Due from County	279	-	702	824	-	6
Due from Other Funds	87,527	-	-	-	-	-
Taxes Receivable	881	312	12	1,602	112	2
Special Assessments Receivable	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 118,058</b>	<b>\$ 46,535</b>	<b>\$ 715</b>	<b>\$ 163,716</b>	<b>\$ 112</b>	<b>\$ 74,651</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<u>Liabilities:</u>						
Accounts Payable	\$ 6,823	\$ 260	\$ 12,515	\$ -	\$ 1,360	\$ -
Benefits Payable	2,739	-	-	-	-	-
Due to Other Funds	-	-	66,583	-	20,944	-
<b>Total Liabilities</b>	<b>\$ 9,562</b>	<b>\$ 260</b>	<b>\$ 79,098</b>	<b>\$ -</b>	<b>\$ 22,304</b>	<b>\$ -</b>
<u>Deferred Inflows of Resources:</u>						
Taxes Receivable	\$ 881	\$ 312	\$ 12	\$ 1,602	\$ 112	\$ 2
Special Assessments Receivable	-	-	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>\$ 881</b>	<b>\$ 312</b>	<b>\$ 12</b>	<b>\$ 1,602</b>	<b>\$ 112</b>	<b>\$ 2</b>
<u>Fund Balances:</u>						
Restricted	\$ -	\$ 45,963	\$ -	\$ 162,114	\$ -	\$ 74,649
Committed	105,017	-	-	-	-	-
Unassigned	2,598	-	(78,395)	-	(22,304)	-
<b>Total Fund Balances</b>	<b>\$ 107,615</b>	<b>\$ 45,963</b>	<b>\$ (78,395)</b>	<b>\$ 162,114</b>	<b>\$ (22,304)</b>	<b>\$ 74,649</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 118,058</b>	<b>\$ 46,535</b>	<b>\$ 715</b>	<b>\$ 163,716</b>	<b>\$ 112</b>	<b>\$ 74,651</b>

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

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Drain #55	Debt Service Funds	Other Governmental Funds	Total Governmental Funds
\$ 46,521	\$ 2,070	\$ 24,322	\$ 382,466
-	-	-	1,974
-	5	-	1,816
-	-	9,608	97,135
2	-	78	3,002
-	6	-	6
<u>\$ 46,523</u>	<u>\$ 2,081</u>	<u>\$ 34,008</u>	<u>\$ 486,399</u>

\$ 390	\$ -	\$ -	\$ 21,348
-	-	-	2,739
-	-	9,608	97,135
<u>\$ 390</u>	<u>\$ -</u>	<u>\$ 9,608</u>	<u>\$ 121,222</u>

\$ 2	\$ -	\$ 78	\$ 3,002
-	6	-	6

<u>\$ 2</u>	<u>\$ 6</u>	<u>\$ 78</u>	<u>\$ 3,008</u>
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\$ 46,131	\$ 2,075	\$ 33,930	\$ 364,861
-	-	-	105,017
-	-	(9,608)	(107,709)

<u>\$ 46,131</u>	<u>\$ 2,075</u>	<u>\$ 24,322</u>	<u>\$ 362,169</u>
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<u>\$ 46,523</u>	<u>\$ 2,081</u>	<u>\$ 34,008</u>	<u>\$ 486,399</u>
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NORTH CASS WATER RESOURCE DISTRICT  
West Fargo, North Dakota

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

Total *Fund Balances* for Governmental Funds \$ 362,169

Total *net position* reported for governmental activities in the statement of net position is different because:

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

Cost of Capital Assets	\$ 8,040,898	
Less Accumulated Depreciation	<u>(3,038,239)</u>	
Net Capital Assets		5,002,658

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.

Property Taxes Receivable	\$ 3,002	
Special Assessments Receivable	<u>6</u>	3,008

Long-Term Uncertified Special Assessments receivable are not reported in the funds because they are unavailable to pay the current period's expenditures. 81,933

Long-term liabilities applicable to the water resource district's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term- are reported in the statement of net position. Balances at December 31, 2012 are made up of the following liabilities:

Bonds Payable	\$ (158,550)	
Unamortized Bond Discount	369	
Unamortized Issuance Costs	642	
Interest Payable	(1,134)	
Compensated Absences	(2,295)	
Total Long-Term Liabilities	<u>(160,969)</u>	<u>(160,969)</u>

Total Net Position - Governmental Activities \$ 5,288,800

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

NORTH 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, 2012

	Major Funds					
	General	Drain NC-1	Drain NC-2	Drain #13	Drain #25	Drain #26
<u>Revenues:</u>						
Taxes	\$ 43,866	\$ 46,518	\$ 702	\$ 1,507	\$ 6,666	\$ 4,999
Special Assessments	-	-	-	-	-	-
Intergovernmental	19,213	19,902	447	158,262	-	-
Interest Income	617	237	-	-	-	337
Miscellaneous	1,502	-	-	-	-	-
<b>Total Revenues</b>	<b>\$ 65,198</b>	<b>\$ 66,657</b>	<b>\$ 1,149</b>	<b>\$ 159,770</b>	<b>\$ 6,666</b>	<b>\$ 5,337</b>
<u>Expenditures:</u>						
Current:						
Conser. of Natural Resources	\$ 75,920	\$ 24,046	\$ 27,240	\$ 58,948	\$ -	\$ 2,273
Capital Outlay	-	9,881	16,727	-	3,940	-
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Service Fees	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 75,920</b>	<b>\$ 33,927</b>	<b>\$ 43,967</b>	<b>\$ 58,948</b>	<b>\$ 3,940</b>	<b>\$ 2,273</b>
Excess (Deficiency) of Revenues Over Expenditures	<b>\$ (10,723)</b>	<b>\$ 32,730</b>	<b>\$ (42,818)</b>	<b>\$ 100,821</b>	<b>\$ 2,726</b>	<b>\$ 3,064</b>
<u>Other Financing Sources (Uses):</u>						
Transfers In	\$ -	\$ -	\$ -	\$ 136,991	\$ -	\$ -
Transfers Out	-	-	-	-	-	-
<b>Total Other Financing Sources and Uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 136,991</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Change in Fund Balances</b>	<b>\$ (10,723)</b>	<b>\$ 32,730</b>	<b>\$ (42,818)</b>	<b>\$ 237,812</b>	<b>\$ 2,726</b>	<b>\$ 3,064</b>
Fund Balance - January 1	\$ 118,337	\$ 13,232	\$ (35,578)	\$ (75,699)	\$ (25,031)	\$ 71,585
Fund Balance - December 31	<b>\$ 107,614</b>	<b>\$ 45,962</b>	<b>\$ (78,396)</b>	<b>\$ 162,113</b>	<b>\$ (22,305)</b>	<b>\$ 74,649</b>

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

Drain #55	Debt Service Funds	Other Governmental Funds	Total Governmental Funds
\$ 8,365	\$ -	\$ 17,996	\$ 130,620
-	214,264	-	214,264
-	-	17	197,842
254	96	199	1,740
-	-	-	1,502
<u>\$ 8,619</u>	<u>\$ 214,360</u>	<u>\$ 18,212</u>	<u>\$ 545,967</u>
\$ 9,304	\$ -	\$ 34,553	\$ 232,283
7,024	-	-	37,573
-	245,700	-	245,700
-	10,851	-	10,851
-	2,889	-	2,889
<u>\$ 16,328</u>	<u>\$ 259,440</u>	<u>\$ 34,553</u>	<u>\$ 529,296</u>
<u>\$ (7,709)</u>	<u>\$ (45,081)</u>	<u>\$ (16,341)</u>	<u>\$ 16,671</u>
\$ -	\$ 13	\$ -	\$ 137,004
-	(136,991)	(13)	(137,004)
<u>\$ -</u>	<u>\$ (136,978)</u>	<u>\$ (13)</u>	<u>\$ -</u>
<u>\$ (7,709)</u>	<u>\$ (182,059)</u>	<u>\$ (16,354)</u>	<u>\$ 16,671</u>
<u>\$ 53,840</u>	<u>\$ 184,133</u>	<u>\$ 40,676</u>	<u>\$ 345,495</u>
<u>\$ 46,131</u>	<u>\$ 2,074</u>	<u>\$ 24,322</u>	<u>\$ 362,166</u>

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NORTH 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, 2012

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Net Change in *Fund Balances* - Total Governmental Funds \$ 16,671

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

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

Current Year Depreciation Expense (139,854)

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

Repayment of Debt 245,700

Collections on uncertified special assessments is a revenue in the governmental funds, but the collection reduces the long-term receivable in the statement of net position. This is the amount of receivable collection.

Collection on Long-Term Receivable (16,949)

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	\$ (294)	
Amortization of Bond Discount	(2,156)	
Amortization of Bond Costs	(5,038)	
Net Decrease in Interest Payable	<u>1,066</u>	(6,422)

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 the increase in special assessments receivable.

662

Change in Net Position of Governmental Activities \$ 99,808

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

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NORTH CASS WATER RESOURCE DISTRICT  
West Fargo, North Dakota

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the North 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 North 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 North 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 North Cass Water Resource District.

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

B. Basis of Presentation

*Government-wide statements:* The statement of net position and the statement of activities display information about the primary government, North 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 North 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. Obligated funds are used to account for the accumulation of resources to help finance a portion of costs of the Maple River Dam capital project. Most of the joint project costs are being paid by the Southeast Cass Water Resource District.

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

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

*Drain #13M (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 #25M (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 #26M (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 #55M (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.

*Debt Service* – this fund is used to account for the resources accumulated and payments made for principal and interest on special assessment bond debt for Drain #13 principal and interest.

#### 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.

*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 is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

D. Cash, Cash Equivalents and Investments

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

E. Capital Assets

Capital assets, which include land 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.

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

<b>Infrastructure Assets:</b>	<b>Years</b>
Facilities	50 years
Major Projects	50 years

F. Compensated Absences

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

G. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

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

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

**H. Fund Balances / Net Position**

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

***Fund Balance Spending Policy:***

It is the policy of North 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.
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.

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

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North Cass Water Resource District only has restricted, committed and unassigned fund balances at December 31, 2012.

Restricted & Committed Fund Balances – consist of the following items at December 31, 2012:

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 North Cass Obligated Funds for pending projects, project development and other projects that do not have restricted funds.

**Net Position:**

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

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

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

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

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

**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.

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

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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 Southeast Cass, Maple River, Rush River, and North 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 North Cass Water Resource District maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

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

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

At year ended December 31, 2012, the water resource district's carrying amount of deposits was \$382,466 and the bank balance was \$383,225. Of the bank balance, \$251,397 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, 2012, 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.

**NORTH 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, 2012:

<b>Governmental Activities:</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>
<i>Capital assets not being depreciated:</i>				
Land	\$1,048,154	\$ -	\$ -	\$1,048,154
<i>Capital assets being depreciated:</i>				
Facilities	\$3,768,900	\$ -	\$ -	\$3,768,900
Projects	3,223,844	-	-	3,223,844
<b>Total Capital Assets, Being Depreciated</b>	<b>\$6,992,744</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$6,992,744</b>
<i>Less Accumulated Depreciation for:</i>				
Facilities	\$2,326,406	\$ 75,378	\$ -	\$2,401,784
Projects	571,979	64,477	-	636,456
<b>Total Accumulated Depreciation</b>	<b>\$2,898,385</b>	<b>\$ 139,855</b>	<b>\$ -</b>	<b>\$3,038,240</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$4,094,359</b>	<b>\$(139,855)</b>	<b>\$ -</b>	<b>\$3,954,504</b>
<b>Governmental Activities - Capital Assets, Net</b>	<b>\$5,142,513</b>	<b>\$(139,855)</b>	<b>\$ -</b>	<b>\$5,002,658</b>

**NOTE 8: ACCOUNTS 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.

**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 fund NC-2 totaling \$66,583, Drain #25 totaling \$20,944 and non-major funds totaling \$9,608 covered by the major General fund and non-major funds.

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

**NOTE 11: DEFERRED INFLOWS OF RESOURCES**

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

**NOTE 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, 2012, the following changes occurred in liabilities reported in long-term liabilities:

	<b>Balance 1-1-12</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12-31-12</b>	<b>Due Within One Year</b>
Bonds Payable	\$404,250	\$ -	\$245,700	\$158,550	\$83,550
Less: Bond Discount	2,526	-	2,156	370	370
Bond Issuance Costs	5,679	-	5,038	641	641
Total Bonds Payable	\$396,045	\$ -	\$238,506	\$157,539	\$82,539
Compensated Absences	\$ 2,001	\$1,673	\$ 1,379	\$ 2,295	\$ 2,295
<b>TOTAL</b>	<b>\$398,046</b>	<b>\$1,673</b>	<b>\$239,885</b>	<b>\$159,834</b>	<b>\$84,834</b>

Long-term debt at December 31, 2012 is comprised of the following:

**Special Assessment Bonds:**

\$215,000 2003 Improvement Bonds, due in annual installments of \$15,000 through 2018; interest at 4.0% - 5.0%.	\$ 90,000
\$260,000 2009 Improvement Bonds, due in annual installments of \$50,000 to \$60,000 through 2014; interest at 2.10%.	60,000
\$85,000 2005 Improvement Bonds, due in one annual installment of \$19,250 in 2013; interest at 4.8%.	<u>8,550</u>
Total Special Assessment Bonds Payable	<u>\$158,550</u>

Debt service requirements on long-term debt, excluding compensated absences at December 31, 2012 are as follows:

<b>GOVERNMENTAL ACTIVITIES</b>		
<b>Year Ending December 31</b>	<b>Special Assessment Bonds Payable</b>	
	<b>Principal</b>	<b>Interest</b>
2013	\$ 83,550	\$ 7,397
2014	15,000	3,375
2015	15,000	2,625
2016	15,000	1,875
2017	15,000	1,125
2018 – 2022	15,000	375
Totals	\$158,550	\$16,772

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

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**NOTE 14: JOINT VENTURES**

Under authorization of state statutes, the North Cass Water Resource District joined Southeast 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, 2012, which is the most current audited information available:

Total Assets	\$6,082,576
Total Liabilities	<u>37,515</u>
Net Position	<u>\$6,045,061</u>
Revenues	2,105,063
Expenses	<u>585,461</u>
Change in Net Position	<u>\$1,519,601</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.

**NOTE 15: DEFICIT CASH FUND BALANCES**

The water resource district had the following deficit cash fund balances at December 31, 2012:

Funds	Amounts
<u>Special Revenue Funds:</u>	
Drain #25	\$(20,944)
Drain NC-2	(66,583)
Drain #41	(9,608)

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**

North 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.

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

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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 North 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 North Cass Water Resource District with blanket fidelity bond coverage in the amount of \$250,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The North 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.

**NOTE 17: LEGAL COMPLIANCE - BUDGETS**

BUDGET AMENDMENTS

The board of water resource district commissioners amended the water resource district budget for 2012 as follows:

Fund	REVENUES		
	Original Budget	Amendment	Amended Budget
<u>Major Funds:</u>			
General Fund	\$ 62,095	\$ 3,565	\$ 65,660
Drain NC-1	46,800	20,000	66,800
Drain NC-2	56,345	(56,000)	345
Drain #13	125,320	33,680	159,000
Drain #26	5,000	400	5,400
Drain #55	8,165	500	8,665
Debt Service Funds	213,800	3,750	217,550
<u>Non Major Funds:</u>			
Drain #24C	4,800	100	4,900
Drain #24	7,470	100	7,570
Drain #41	500	6,200	6,700
Elm River Snagging and Clearing	-	15	15

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

Fund	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
<u>Major Funds:</u>			
General Fund	\$ 63,095	\$ 11,165	\$ 74,260
Drain NC-1	5,000	39,000	44,000
Drain NC-2	20,000	29,000	49,000
Drain #13	125,320	(12,500)	112,820
Drain #25	2,000	4,800	6,800
Drain #26	2,000	500	2,500
Drain #55	1,000	22,000	23,000
Debt Service Funds	142,300	117,900	260,200
<u>Non Major Funds:</u>			
Drain #24C	2,000	(1,100)	900
Drain #24	2,000	2,500	4,500
Drain #41	1,000	41,750	42,750

**NOTE 18: TRANSFERS**

The following is reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2012:

	Transfers In	Transfers Out
<u>Major Funds:</u>		
Drain #13	\$136,991	\$ -
Debt Service Fund	13	136,991
<u>Nonmajor Special Revenue Fund:</u>		
Elm River Snagging	-	13
<b>Total Transfers</b>	<b>\$137,004</b>	<b>\$137,004</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.

**NOTE 19: PENSION PLAN**

North Cass Water Resource District contributes to the North Dakota Public Employee's Retirement System (NDPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota. NDPERS provides for retirement, disability and survivor benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. NDPERS issues a publicly available financial report that includes financial statements and required supplementary information for NDPERS. That report may be obtained by writing to NDPERS, 400 E Broadway, Suite 505, P.O. Box 1214, Bismarck, North Dakota, 58502-1214.

Plan members are required to contribute 5% of their annual covered salary. The water resource district is required to contribute 6.26% of the employee's salary, which consists of 5.12% for employee retirement and 1.14% for the retiree health benefits fund. The contribution requirements of plan members and the water resource district are established and may be amended by the State legislature. The water resource district's contributions to NDPERS for the years ending December 31, 2012, 2011, and 2010 were \$2,112 \$1,266, and \$1,117, respectively, equal to the required contributions for the year.

NORTH CASS WATER RESOURCE DISTRICT  
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 55,105	\$ 44,485	\$ 43,866	\$ (619)
Intergovernmental	4,515	19,000	19,213	213
Interest	2,275	675	617	(58)
Miscellaneous	200	1,500	1,502	2
Total Revenues	<u>\$ 62,095</u>	<u>\$ 65,660</u>	<u>\$ 65,198</u>	<u>\$ (462)</u>
<u>Expenditures:</u>				
Current:				
Conservation of Natural Resources	\$ 63,095	\$ 74,260	\$ 75,920	\$ (1,660)
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,000)</u>	<u>\$ (8,600)</u>	<u>\$ (10,723)</u>	<u>\$ (2,123)</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ 24,720	\$ 24,720	\$ -
Transfers Out	-	(24,720)	(24,720)	-
Total Other Financing Sources and Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Changes in Fund Balances	<u>\$ (1,000)</u>	<u>\$ (8,600)</u>	<u>\$ (10,723)</u>	<u>\$ (2,123)</u>
Fund Balance - January 1	<u>\$ 118,337</u>	<u>\$ 118,337</u>	<u>\$ 118,337</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 117,337</u></u>	<u><u>\$ 109,737</u></u>	<u><u>\$ 107,614</u></u>	<u><u>\$ (2,123)</u></u>

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

NORTH CASS WATER RESOURCE DISTRICT  
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE  
DRAIN NC-1 FUND  
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 46,800	\$ 66,800	\$ 66,657	\$ (143)
<u>Expenditures:</u>				
Current:				
Conservation of Natural Resources	\$ 5,000	\$ 44,000	\$ 24,046	\$ 19,954
Capital Outlay	-	-	9,881	(9,881)
Total Expenditures	\$ 5,000	\$ 44,000	\$ 33,927	\$ 10,073
Excess (Deficiency) of Revenues Over Expenditures	\$ 41,800	\$ 22,800	\$ 32,730	\$ 9,930
Fund Balance - January 1	\$ 23,228	\$ 23,228	\$ 13,232	\$ (9,996)
Fund Balance - December 31	\$ 65,028	\$ 46,028	\$ 45,962	\$ (66)

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

NORTH CASS WATER RESOURCE DISTRICT  
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE  
DRAIN NC-2 FUND  
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 56,345	\$ 345	\$ 702	\$ 357
Intergovernmental	-	-	447	447
<b>Total Revenues</b>	<b>\$ 56,345</b>	<b>\$ 345</b>	<b>\$ 1,149</b>	<b>\$ 804</b>
<u>Expenditures:</u>				
Current:				
Conservation of Natural Resources	\$ 20,000	\$ 49,000	\$ 27,240	\$ 21,760
Capital Outlay	-	-	16,727	(16,727)
<b>Total Expenditures</b>	<b>\$ 20,000</b>	<b>\$ 49,000</b>	<b>\$ 43,967</b>	<b>\$ 5,033</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 36,345	\$ (48,655)	\$ (42,818)	\$ 5,837
Fund Balance - January 1	\$ (35,578)	\$ (35,578)	\$ (35,578)	\$ -
Fund Balance - December 31	\$ 767	\$ (84,233)	\$ (78,396)	\$ 5,837

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

NORTH CASS WATER RESOURCE DISTRICT  
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE  
DRAIN #13 FUND  
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 125,320	\$ 159,000	\$ 1,507	\$ (157,493)
Intergovernmental	-	-	158,262	158,262
Total Revenues	<u>\$ 125,320</u>	<u>\$ 159,000</u>	<u>\$ 159,770</u>	<u>\$ 770</u>
<u>Expenditures:</u>				
Current:				
Conservation of Natural Resources	\$ 125,320	\$ 112,820	\$ 58,948	\$ 53,872
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ 46,180</u>	<u>\$ 100,821</u>	<u>\$ 54,641</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ -	\$ 136,991	\$ 136,991
Net Changes in Fund Balances	<u>\$ -</u>	<u>\$ 46,180</u>	<u>\$ 237,812</u>	<u>\$ 191,632</u>
Fund Balance - January 1	<u>\$ (75,699)</u>	<u>\$ (75,699)</u>	<u>\$ (75,699)</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ (75,699)</u>	<u>\$ (29,519)</u>	<u>\$ 162,113</u>	<u>\$ 191,632</u>

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

NORTH CASS WATER RESOURCE DISTRICT  
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE  
DRAIN #25 FUND  
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 6,655	\$ 6,655	\$ 6,666	\$ 11
<u>Expenditures:</u>				
<u>Current:</u>				
Conservation of Natural Resources	\$ 2,000	\$ 6,800	\$ -	\$ 6,800
Capital Outlay	-	-	3,940	(3,940)
Total Expenditures	\$ 2,000	\$ 6,800	\$ 3,940	\$ 2,860
Excess (Deficiency) of Revenues Over Expenditures	\$ 4,655	\$ (145)	\$ 2,726	\$ 2,871
Fund Balance - January 1	\$ (25,031)	\$ (25,031)	\$ (25,031)	\$ -
Fund Balance - December 31	\$ (20,376)	\$ (25,176)	\$ (22,305)	\$ 2,871

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

NORTH CASS WATER RESOURCE DISTRICT  
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE  
DRAIN #26 FUND  
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 5,000	\$ 5,400	\$ 4,999	\$ (401)
Interest Income	-	-	337	337
Total Revenues	<u>\$ 5,000</u>	<u>\$ 5,400</u>	<u>\$ 5,337</u>	<u>\$ (63)</u>
<u>Expenditures:</u>				
Current:				
Conservation of Natural Resources	\$ 2,000	\$ 2,500	\$ 2,273	\$ 227
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 3,000</u>	<u>\$ 2,900</u>	<u>\$ 3,064</u>	<u>\$ 164</u>
Fund Balance - January 1	<u>\$ 71,585</u>	<u>\$ 71,585</u>	<u>\$ 71,585</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 74,585</u></u>	<u><u>\$ 74,485</u></u>	<u><u>\$ 74,649</u></u>	<u><u>\$ 164</u></u>

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

NORTH CASS WATER RESOURCE DISTRICT  
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE  
DRAIN #55 FUND  
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 8,165	\$ 8,665	\$ 8,365	\$ (300)
Interest	-	-	254	254
Total Revenues	<u>\$ 8,165</u>	<u>\$ 8,665</u>	<u>\$ 8,619</u>	<u>\$ (46)</u>
<u>Expenditures:</u>				
Current:				
Conservation of Natural Resources	\$ 1,000	\$ 23,000	\$ 9,304	\$ 13,696
Capital Outlay	-	-	7,024	(7,024)
Total Expenditures	<u>\$ 1,000</u>	<u>\$ 23,000</u>	<u>\$ 16,328</u>	<u>\$ 6,672</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 7,165</u>	<u>\$ (14,335)</u>	<u>\$ (7,709)</u>	<u>\$ 6,626</u>
Fund Balance - January 1	<u>\$ 53,840</u>	<u>\$ 53,840</u>	<u>\$ 53,840</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 61,005</u></u>	<u><u>\$ 39,505</u></u>	<u><u>\$ 46,131</u></u>	<u><u>\$ 6,626</u></u>

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

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NORTH CASS WATER RESOURCE DISTRICT  
West Fargo, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2012

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**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 2012, the North Cass Water Resource District had the following fund expenditures in excess of budgeted amounts:

	<b>Budget</b>	<b>Actual</b>	<b>Excess</b>
General Fund	\$74,260	\$75,920	\$1,660

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

NORTH CASS WATER RESOURCE DISTRICT  
West Fargo, North Dakota

COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2012

	Drain #24C	Drain #24	Drain #41	Elm River Snagging	Total Nonmajor Governmental Funds
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 11,097	\$ 10,399	\$ (0)	\$ 2,826	\$ 24,322
Taxes Receivable	-	-	78	-	78
Due from Other Funds	9,608	-	-	-	9,608
<b>Total Assets</b>	<b>\$ 20,705</b>	<b>\$ 10,399</b>	<b>\$ 78</b>	<b>\$ 2,826</b>	<b>\$ 34,008</b>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>					
<u>Liabilities:</u>					
Due to Other Funds	\$ -	\$ -	\$ 9,608	\$ -	\$ 9,608
<u>Deferred Inflows of Resources:</u>					
Taxes Receivable	\$ -	\$ -	\$ 78	\$ -	\$ 78
<u>Fund Balances:</u>					
Restricted	\$ 20,705	\$ 10,399	\$ -	\$ 2,826	\$ 33,930
Unassigned	-	-	(9,608)	-	(9,608)
<b>Total Fund Balances</b>	<b>\$ 20,705</b>	<b>\$ 10,399</b>	<b>\$ (9,608)</b>	<b>\$ 2,826</b>	<b>\$ 24,322</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 20,705</b>	<b>\$ 10,399</b>	<b>\$ 78</b>	<b>\$ 2,826</b>	<b>\$ 34,008</b>

NORTH CASS WATER RESOURCE DISTRICT  
West Fargo, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2012

	Drain #24C	Drain #24	Drain #41	Elm River Snagging	Total Nonmajor Governmental Funds
<u>Revenues:</u>					
Taxes	\$ 4,800	\$ 6,603	\$ 6,592	\$ -	\$ 17,996
Intergovernmental Income	-	17	-	-	17
Interest	91	55	40	13	199
<b>Total Revenues</b>	<b>\$ 4,892</b>	<b>\$ 6,675</b>	<b>\$ 6,632</b>	<b>\$ 13</b>	<b>\$ 18,212</b>
<u>Expenditures:</u>					
Current:					
Conservation of Natural Resources	\$ 692	\$ 4,395	\$ 29,466	\$ -	\$ 34,553
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 4,200</b>	<b>\$ 2,280</b>	<b>\$ (22,834)</b>	<b>\$ 13</b>	<b>\$ (16,341)</b>
<u>Other Financing Sources (Uses):</u>					
Transfers Out	\$ -	\$ -	\$ -	\$ (13)	\$ (13)
<b>Net Change in Fund Balances</b>	<b>\$ 4,200</b>	<b>\$ 2,280</b>	<b>\$ (22,834)</b>	<b>\$ -</b>	<b>\$ (16,354)</b>
Fund Balance - January 1	\$ 16,505	\$ 8,119	\$ 13,226	\$ 2,826	\$ 40,676
<b>Fund Balance - December 31</b>	<b>\$ 20,705</b>	<b>\$ 10,399</b>	<b>\$ (9,608)</b>	<b>\$ 2,826</b>	<b>\$ 24,322</b>

STATE AUDITOR

ROBERT R. PETERSON  
Phone (701) 328-2241  
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Local Government Division:  
FARGO OFFICE  
MANAGER – DAVID MIX  
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STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
STATE CAPITOL  
600 E. BOULEVARD AVENUE - DEPT. 117  
BISMARCK, NORTH DAKOTA 58505

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**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**

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Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North 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, 2012, and the related notes to the financial statements, which collectively comprise North Cass Water Resource District's basic financial statements, and have issued our report thereon dated May 17, 2013.

**Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying *schedule of findings and questioned costs* to be a material weakness [2012-01].

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether North 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*.

**NORTH CASS WATER RESOURCE DISTRICT**

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

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We did note one matter that we reported to management of North Cass Water Resource District in a separate letter dated May 17, 2013.

**North Cass Water Resource District's Response to Findings**

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

**Purpose of this Report**

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



Robert R. Peterson  
State Auditor

May 17, 2013

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NORTH CASS WATER RESOURCE DISTRICT  
West Fargo, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2012

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**Section I - Summary of Auditor's Results**

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**Financial Statements**

Type of Auditor's Report Issued?

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

Internal Control Over Financial Reporting:

Material weaknesses identified?	<u> X </u> Yes	<u>   </u> No
Significant deficiencies identified?	<u>   </u> Yes	<u> X </u> No
Noncompliance material to financial statements noted?	<u>   </u> Yes	<u> X </u> No

**Section II - Financial Statement Findings**

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**2012-01 – LACK OF SEGREGATION OF DUTIES**

**Condition:**

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

**Criteria:**

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

**Effect:**

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

**Recommendation:**

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

**Views of Responsible Officials:**

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