



ROBERT R. PETERSON  
STATE AUDITOR

Cass County  
Soil Conservation District  
Fargo, North Dakota

# Audit Report

For the Year Ended December 31, 2015

Office of the State Auditor

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CASS COUNTY SOIL CONSERVATION DISTRICT  
Fargo, North Dakota

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For the Year Ended December 31, 2015

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CASS COUNTY SOIL CONSERVATION DISTRICT  
Fargo, North Dakota

**OFFICIALS**

December 31, 2015

Brad Kellerman

Chairman

Curtis Knutson  
John Grove  
Richard Faught  
Terry Hoffmann

Vice Chairman  
Board Member  
Board Member  
Board Member

Jeff Miller  
Amy Cole

Operations Coordinator  
District Clerk

**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

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INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, and the major fund of Cass County Soil Conservation District, Fargo, North Dakota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Soil Conservation District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund of Cass County Soil Conservation District, Fargo, North Dakota, as of December 31, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of a Matter***

As discussed in Note 18 to the financial statements, the Cass County Soil Conservation District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

***Other Matters***

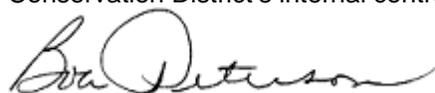
***Required Supplementary Information***

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

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information* on page 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2016 on our consideration of Cass County Soil Conservation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cass County Soil Conservation District's internal control over financial reporting and compliance.



Robert R. Peterson  
State Auditor

Fargo, North Dakota  
May 16, 2016

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CASS COUNTY SOIL CONSERVATION DISTRICT  
Fargo, North Dakota

STATEMENT OF NET POSITION  
December 31, 2015

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<u>ASSETS:</u>	
Cash	\$ 244,039
Accounts Receivable	9,955
Intergovernmental Receivable	2,034
Due from County	711
Prepaid Assets	8,677
Taxes Receivable	2,317
Capital Assets (being depreciated):	
Buildings and Other Improvements	193,294
District Equipment	124,948
Total Capital Assets	<u>\$ 318,242</u>
Total Assets	<u>\$ 585,975</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>	
Difference between Expected & Actual Experience	<u>\$ 10,909</u>
Total Assets & Deferred Outflows of Resources	<u>\$ 596,884</u>
<u>LIABILITIES:</u>	
Salaries Payable	\$ 6,738
Payroll Liability	10,640
Sales Tax Liability	3,254
Prepaid Sales	4,014
Other Liabilities	814
Long-Term Liabilities:	
Due Within One Year:	
Compensated Absences Payable	1,042
Due After One Year:	
Compensated Absences Payable	9,379
Net Pension Liability	<u>99,509</u>
Total Liabilities	<u>\$ 135,390</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Change in Projected and Actual Investment Earnings	<u>\$ 17,845</u>
Total Liabilities & Deferred Inflows of Resources	<u>\$ 153,235</u>
<u>NET POSITION:</u>	
Net Investment in Capital Assets	\$ 318,242
Restricted for:	
Conservation of Natural Resources	<u>125,407</u>
Total Net Position	<u>\$ 443,649</u>

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

CASS COUNTY SOIL CONSERVATION DISTRICT  
 Fargo, North Dakota

STATEMENT OF ACTIVITIES  
 For the Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
		Services	Grants and	Changes in
			Contributions	Net Position
<u>Governmental Activities:</u>				
Conservation of Natural Resources	\$ 696,547	\$ 236,042	\$ 74,854	\$ (385,651)
<u>General Revenues:</u>				
Taxes:				
Property taxes				\$ 254,962
Unrestricted Grants and Contributions				3,000
Interest				46
Miscellaneous Revenue				1,698
Total General Revenues				<u>\$ 259,706</u>
Change in Net Position				<u>\$ (125,945)</u>
Net Position - January 1				\$ 680,957
Prior Period Adjustment				<u>(111,363)</u>
Net Position - January 1, as restated				<u>\$ 569,594</u>
Net Position - December 31				<u><u>\$ 443,649</u></u>

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

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CASS COUNTY SOIL CONSERVATION DISTRICT  
Fargo, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS  
December 31, 2015

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<u>ASSETS</u>	
Cash	\$ 244,039
Accounts Receivable	9,955
Intergovernmental Receivable	2,034
Due from County	711
Prepaid Assets	8,677
Taxes Receivable	<u>2,317</u>
Total Assets	<u>\$ 267,733</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>	
<u>Liabilities:</u>	
Salaries Payable	\$ 6,738
Payroll Liability	10,640
Sales Tax Liability	3,254
Prepaid Sales	4,014
Other Liabilities	<u>814</u>
Total Liabilities	<u>\$ 25,460</u>
<u>Deferred Inflows of Resources:</u>	
Taxes Receivable	<u>\$ 2,317</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 27,777</u>
<u>Fund Balances:</u>	
<u>Restricted for:</u>	
Conservation of Natural Resources	<u>\$ 239,956</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 267,733</u>

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

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CASS COUNTY SOIL CONSERVATION DISTRICT  
Fargo, North Dakota

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

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Total <i>Fund Balances</i> for Governmental Funds		\$	239,956
Total <i>net position</i> reported for government activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.			
Cost of Capital Assets		\$	603,829
Less Accumulated Depreciation			<u>(285,587)</u>
			318,242
Property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds.			
			2,317
Net Pension obligations are not due and payable in the current period, and therefore are not reported in the funds.			
			(99,509)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.			
Difference between Expected and Actual Experience			10,909
Change in Projected and Actual Investment Earnings			<u>(17,845)</u>
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities-both current and long-term are reported in the statement of net position. Balance at December 31, 2015 is:			
Compensated Absences			<u>(10,421)</u>
Total Net Position of Governmental Activities		\$	<u>443,649</u>

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

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CASS COUNTY SOIL CONSERVATION DISTRICT  
Fargo, North Dakota

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

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<u>Revenues:</u>	
Taxes	\$ 256,506
Intergovernmental	77,854
Charges for Services	236,042
Interest Income	46
Miscellaneous	<u>1,698</u>
Total Revenues	<u>\$ 572,146</u>
<u>Expenditures:</u>	
Current:	
Culture and Recreation	\$ 559,128
Capital Outlay	<u>125,122</u>
Total Expenditures	<u>\$ 684,250</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (112,104)</u>
Fund Balance - January 1	<u>\$ 352,060</u>
Fund Balance - December 31	<u><u>\$ 239,956</u></u>

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

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CASS COUNTY SOIL CONSERVATION DISTRICT  
Fargo, North Dakota

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

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Net Change in *Fund Balances* - Total Governmental Funds \$(112,104)

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 capital outlays exceeded depreciation in the current year.

Current Year Capital Outlay	\$ 114,615	
Current Year Depreciation Expense	<u>(53,690)</u>	60,925

In the Statement of Activities, the loss or gain on sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from these sales.

Loss on Disposals of Capital Assets	(77,133)
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Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Increase in Compensated Absences	(1,007)
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The Net Pension Liability, and related Deferred Outflows of Resources and Deferred Inflows of Resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Net Decrease in Net Pension Liability	\$ 161	
Net Increase in Deferred Outflows of Resources	3,146	
Net Decrease in Deferred Inflows of Resources	<u>1,611</u>	4,918

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

(1,544)
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Change in Net Position of Governmental Activities	<u><u>\$(125,945)</u></u>
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The notes to the financial statements are an integral part of this statement.

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CASS COUNTY SOIL CONSERVATION DISTRICT  
Fargo, North Dakota

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015

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

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

A. Reporting Entity

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

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

B. Government-wide and fund financial statements

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

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

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

The soil conservation district reports the following major governmental fund:

*General Fund.* This is the soil conservation district's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

*Government-wide Financial Statements.* The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the soil conservation district gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

D. Cash and Investments

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

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

E. Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

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

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

F. Compensated Absences

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

G. Long-Term Obligations

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

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

H. Pension

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

I. Fund Balances / Net Position

Fund balance classifications comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

**Fund Balance Spending Policy**

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

**Fund Balance Reporting and Governmental Fund Type Definitions**

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

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 (b) A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.	Available for any remaining general fund expenditure.

Cass County Soil Conservation District only has restricted fund balance at December 31, 2015.

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

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

### **Net Position**

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

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

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

### **NOTE 2: DEPOSITS**

In accordance with North Dakota Statutes, the soil conservation district maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

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

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

At year ended December 31, 2015, the soil conservation district's carrying amount of deposits was \$244,039, and the bank balance was \$261,453, all of which was covered by Federal Depository Insurance.

#### Credit Risk:

The soil conservation district may invest idle funds as authorized in North Dakota Statutes, as follows:

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

#### Concentration of Credit Risk:

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

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

**NOTE 3: ACCOUNTS RECEIVABLE**

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

**NOTE 4: INTERGOVERNMENTAL RECEIVABLES**

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

**NOTE 5: DUE FROM COUNTY**

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

**NOTE 6: PREPAID ASSETS**

Prepaid assets represent amounts for insurance and other expenditures paid prior to December 31, 2015 which covers the period after December 31, 2015.

**NOTE 7: TAXES RECEIVABLE**

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

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

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

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

**NOTE 8: CAPITAL ASSETS**

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

	<b>Balance 1-1-15</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance 12-31-15</b>
<b>Governmental Activities:</b>					
<i>Capital assets not being depreciated</i>					
Construction in Progress	\$ 40,477	\$ 36,656	\$ -	\$ (77,133)	\$ -
<i>Capital assets being depreciated:</i>					
Buildings	\$ 242,206	\$ -	\$ -	\$ -	\$ 242,206
District Equipment	283,664	77,959	77,133	77,133	361,623
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 525,870</b>	<b>\$ 77,959</b>	<b>\$ 77,133</b>	<b>\$ 77,133</b>	<b>\$ 603,829</b>
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 42,115	\$ 6,797	\$ -	\$ -	\$ 48,912
District Equipment	189,782	46,893	-	-	236,675
<b>Total Accumulated Depreciation</b>	<b>\$ 231,897</b>	<b>\$ 53,690</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 285,587</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 334,450</b>	<b>\$ 60,925</b>	<b>\$ 77,133</b>	<b>\$ -</b>	<b>\$ 318,242</b>

Depreciation expense was charged to conservation of natural resources.

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

**NOTE 9: DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows of resources in the government wide financial statements consist of amounts related to pensions representing the difference in expected and actual experience.

**NOTE 10: SALARIES PAYABLE**

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

**NOTE 11: PAYROLL LIABILITY**

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

**NOTE 12: SALES TAX LIABILITY**

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

**NOTE 13: PREPAID SALES**

Prepaid sales represent sales for trees prior to December 31, 2015, but not delivered to the following fiscal year.

**NOTE 14: DEFERRED INFLOWS OF RESOURCES**

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

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

**NOTE 15: LONG-TERM LIABILITIES**

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

Governmental Activities:

<b>Governmental Activities:</b>	<b>Balance 1-1-14</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12-31-14</b>	<b>Due Within One Year</b>
Compensated Absences *	\$ 9,414	\$ 1,007	\$ -	\$ 10,421	\$ 1,042
Net Pension Liability	99,670	-	161	99,509	-
<b>Total Governmental Activities</b>	<b>\$ 109,084</b>	<b>\$ 1,007</b>	<b>\$ 161</b>	<b>\$ 109,930</b>	<b>\$ 1,042</b>

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

**NOTE 16: RISK MANAGEMENT**

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Cass County Soil Conservation District pays an annual premium to NDRIF for Public Assets. The coverage by NDRIF is limited to losses of 76,000.

The Cass County Soil Conservation District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Cass County Soil Conservation District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of two million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$229,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

**NOTE 17: PENSION PLAN**

**General Information about the NDPERS Pension Plan**

***North Dakota Public Employees Retirement System (Main System)***

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

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

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

**Pension Benefits**

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

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

**Death and Disability Benefits**

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

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

**Refunds of Member Account Balance**

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

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

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

**Member and Employer Contributions**

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

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

At December 31, 2015, the Cass County Soil Conservation District reported a liability of \$99,509 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability was based on the district's share of covered payroll in the main system pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2015, the Employer's proportion was .014634 percent, which was a decrease of .001069 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Employer recognized pension expense of \$8,105. At December 31, 2015, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 2,887	\$ -
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	17,845
District Contributions Subsequent to the Measurement Date	8,022	-
<b>Total</b>	<b>\$ 10,909</b>	<b>\$ 17,845</b>

\$8,022 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2015.

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

2016	\$ (2,694)
2017	(2,694)
2018	(2,694)
2019	1,646
2020	(1,643)

**Actuarial Assumptions**

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

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

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

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

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

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

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

**Discount Rate**

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

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

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

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
District’s Proportionate Share of the Net Pension Liability	\$ 152,592	\$ 99,509	\$ 56,077

**Pension Plan Fiduciary Net Position**

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

**NOTE 18: PRIOR PERIOD ADJUSTMENTS**

**Change in Accounting Principle – GASB 68 & 71 - Pensions:**

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

The result of implementing GASB 68 reduced beginning net position, which consists of the net pension liability, deferred outflow of resources, and deferred inflows of resources related to the North Dakota Public Employees Retirement System (NDPERS).

<b>Governmental Activities:</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 680,957
Adjustments to restate the January 1, 2015 Net Position:	
Net Pension Liability	(99,670)
Deferred Outflows of Resources	7,763
Deferred Inflows of Resources	(19,456)
Net Position January 1, as restated	\$ 569,594

CASS COUNTY SOIL CONSERVATION DISTRICT  
 Fargo, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 261,370	\$ 261,370	\$ 256,506	\$ (4,864)
Intergovernmental	41,400	41,400	77,854	36,454
Charges for Services	151,540	151,540	236,042	84,502
Interest	500	500	46	(454)
Miscellaneous	1,175	1,175	1,698	523
<b>Total Revenues</b>	<b>\$ 455,985</b>	<b>\$ 455,985</b>	<b>\$ 572,146</b>	<b>\$ 116,161</b>
<u>Expenditures:</u>				
Current:				
Culture and Recreation	\$ 548,055	\$ 548,055	\$ 559,128	\$ (11,073)
Capital Outlay	82,136	82,136	125,122	(42,986)
<b>Total Expenditures</b>	<b>\$ 630,191</b>	<b>\$ 630,191</b>	<b>\$ 684,250</b>	<b>\$ (54,059)</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (174,206)	\$ (174,206)	\$ (112,104)	\$ 62,102
Fund Balance - January 1	\$ 352,060	\$ 352,060	352,060	\$ -
Fund Balance - December 31	\$ 177,854	\$ 177,854	\$ 239,956	\$ 62,102

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

CASS COUNTY SOIL CONSERVATION DISTRICT  
Fargo, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2015

**NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information:

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

**NOTE 2: EXPENDITURES IN EXCESS OF BUDGET**

During fiscal year 2015, Cass County Soil Conservation had the following fund expenditures in excess of budgeted amounts:

	<b>Budget</b>	<b>Actual</b>	<b>Excess</b>
Major Fund			
General Fund	\$ 630,191	\$ 684,251	\$ (54,060)

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

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

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

	2014	2015
District's proportion of the net pension liability (asset)	0.015703%	0.146340%
District's proportionate share of the net pension liability (asset)	\$ 99,670	\$ 99,509
District's covered-employee payroll	\$ 132,272	\$ 130,372
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	75.35%	76.33%
Plan fiduciary net position as a percentage of the total pension liability	77.70%	77.15%

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

**CASS COUNTY SOIL CONSERVATION DISTRICT**  
Notes to the Required Supplementary Information - Continued

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NOTE 4: SCHEDULE OF EMPLOYER CONTRIBUTIONS ND PUBLIC EMPLOYEE'S RETIREMENT SYSTEM (NDPERS)
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Schedule of Employer Contributions  
ND Public Employees Retirement System  
Last 10 Fiscal Years\*

	2014	2015
Statutorily required contribution	\$ 9,418	\$ 9,282
Contributions in relation to the statutorily required contribution	\$ (9,418)	\$ (9,282)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 132,272	\$ 130,372
Contributions as a percentage of covered-employee payroll	7.12%	7.12%

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

**STATE AUDITOR**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and the major fund of Cass County Soil Conservation District, Fargo, North Dakota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Cass County Soil Conservation District's basic financial statements, and have issued our report thereon dated May 16, 2016.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

## **CASS COUNTY SOIL CONSERVATION DISTRICT**

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

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### **Cass County Soil Conservation District's Response to Findings**

Cass County Soil Conservation District's response to the finding identified in our audit is described in the accompanying *schedule of findings and questioned costs*. Cass County Soil Conservation 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Robert R. Peterson  
State Auditor

Fargo, North Dakota  
May 16, 2016

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CASS COUNTY SOIL CONSERVATION DISTRICT  
Fargo, North Dakota

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

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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 Fund	Unmodified

**Internal Control Over Financial Reporting:**

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

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**Section II - Financial Statement Findings**

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<b>2015-001 – LACK OF SEGREGATION OF DUTIES</b>
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**Condition:**

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

**Effect:**

A lack of segregation of duties exists as two employees are responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and perform bank reconciliations.

**Cause:**

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

**Criteria:**

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

**Recommendation:**

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

**CASS COUNTY SOIL CONSERVATION DISTRICT**  
Schedule of Findings and Questioned Costs - Continued

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**Views of Responsible Officials:**

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

**STATE AUDITOR**

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

We have audited the financial statements of the governmental activities, and the major fund of Cass County Soil Conservation District, Fargo, North Dakota, for the year ended December 31, 2015, and have issued our report thereon dated May 16, 2016. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated January 12, 2016, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

In planning and performing our audit, we considered Cass County Soil Conservation 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 Cass County Soil Conservation District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cass County Soil Conservation District's internal control over financial reporting.

As part of obtaining reasonable assurance about whether Cass County Soil Conservation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants noncompliance with which could have a direct and material effect on the determination of financial statement amounts. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Cass County Soil Conservation District's compliance with those requirements.

**SIGNIFICANT ACCOUNTING POLICIES/QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES**

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

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

**CORRECTED AND UNCORRECTED MISSTATEMENTS**

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

**DISAGREEMENTS WITH MANAGEMENT**

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

**MANAGEMENT REPRESENTATIONS**

We have requested certain representations from management that are included in the management representation letter dated May 16, 2016.

**MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS**

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

**DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT**

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

**OTHER AUDIT FINDINGS OR ISSUES**

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

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

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



Robert R. Peterson  
State Auditor

Fargo, North Dakota  
May 16, 2016

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