

Cass County Vector Control District

Fargo, North Dakota

(A Component Unit of Cass County)

Audit Report

For the Year Ended
December 31, 2014



ROBERT R. PETERSON
STATE AUDITOR

Office of the State Auditor

CASS COUNTY VECTOR CONTROL DISTRICT
WEST FARGO, ND

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For the Year Ended December 31, 2014

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CASS COUNTY VECTOR CONTROL DISTRICT
West Fargo, ND

District Officials

Tim Mahoney
Clay Whittlesey
Keith Berndt

Chairman
Board Member
Board Member

STATE AUDITOR

ROBERT R. PETERSON
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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

INDEPENDENT AUDITOR'S REPORT

Governing Board
Cass County Vector Control District
West 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 Vector Control District, West Fargo, North Dakota, a component unit of Cass County, Fargo, North Dakota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the 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 Vector Control, West Fargo, North Dakota, a component unit of Cass County, Fargo, North Dakota, as of December 31, 2014, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity 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* on pages 4-8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2015 on our consideration of Cass County Vector Control 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 Vector Control District's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
June 22, 2015

CASS COUNTY VECTOR CONTROL DISTRICT

Management's Discussion and Analysis

The District's management discussion and analysis offer readers of the District's financial statements a narrative overview and analysis of the District's financial activities for the fiscal year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with the financial statements and notes to the financial statements.

Financial Highlights

- The net position of Cass County Vector Control District exceeded its liabilities at December 31, 2014 by \$285,541. Net investment in capital assets (net of depreciation and related debt) had a value of \$128,813. Of the remaining net position, \$156,729 may be used to meet the government's ongoing obligations to citizens and creditors, without legal restriction.
- At December 31, 2014, the District's governmental funds reported combined ending fund balances of \$168,484 a decrease of \$11,930 in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. They consist of the Statement of Net Position and the Statement of Activities.

The statement of net position presents information on all of 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 showing how the government's net position changed during fiscal year 2014. 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 this statement for some items that will only result in cash flows in future fiscal periods. Items such as uncollected taxes will be included in the statement of activities as revenue and expenses, even though the cash associated with these items will not be received or distributed in 2014.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include conservation and economic development.

The government-wide financial statements include only the District itself (known as the primary government). The Cass County Vector Control District is a component unit of Cass County Government.

The government-wide financial statements can be found on pages 9-10 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund of the District is categorized as a governmental fund.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, which is considered to be a major fund.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for this fund to demonstrate budgetary compliance.

The basic governmental fund financial statements can be found on pages 11-15 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-21 of this report.

Government-wide Financial Analysis

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$285,541 at the close of the fiscal year ended December 31, 2014.

Statement of Net Position
December 31, 2014 and 2013

	Governmental Activities	
	2014	2013
Current and Other Assets	\$ 323,784	\$ 308,421
Capital Assets	128,813	74,188
Total Assets	\$ 452,597	\$ 382,608
Liabilities		
Other Liabilities	\$ 17,726	\$ 11,127
Deferred Inflows of Resources	\$ 149,330	\$ 118,672
Net Position:		
Net Investment in Capital Assets	\$ 128,813	\$ 74,188
Unrestricted	156,729	178,621
Total Net Position	\$ 285,541	\$ 252,809

The largest portion of the District’s net position reflects its investment in capital assets (e.g. equipment), less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the

District's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Statement of Changes in Net Position

Governmental activities increased the District's net position by \$32,733. Key elements in changes in net position are shown in the following table.

Statement of Activities
For the Years Ended December 31, 2014 and 2013

	Governmental Activities	
	2014	2013
Revenues:		
Program Revenues:		
Charges for Services	\$ 324,663	\$ 280,206
Operating Grants and Contributions		
General Revenues:		
Property Taxes	538,413	508,158
Other	60,825	47,703
Total Revenues	\$ 923,901	\$ 836,068
Expenses:		
Conservation & Economic Development	\$ 891,168	\$ 803,624
Changes in Net Position	\$ 32,773	\$ 32,443
Net Position – January 1	\$ 252,809	\$ 220,365
Net Position – December 31	\$ 285,541	\$ 252,809

Total revenues for 2014 were \$923,901. Property taxes revenue accounted for 58% of total revenue sources; the remaining 42% was from charges for services, and miscellaneous income.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2014, the District’s governmental fund reported ending fund balance of \$168,484, a decrease of \$11,930 in comparison with the prior year. The general fund is reported as a major fund.

General Fund Budgetary Highlights

The district did not amend their 2014 budget.

Capital Assets

The District’s investment in capital assets for its governmental activities as of December 31, 2014 amounts to \$128,813 (net of accumulated depreciation). This investment in capital assets includes equipment. The total increase in the District’s investment in capital assets for the current fiscal year was \$54,625.

The following is a schedule of capital assets net of accumulated depreciation as of December 31, 2014:

	Governmental Activities	
	2014	2013
Machinery and Equipment	\$ 128,813	\$ 74,188

Additional information on the District’s capital assets can be found in Note 5 on page 20 of this report.

Economic Factors and Next Year’s Budgets and Rates

- The taxable value of all property located in the county has increased by over 3 percent in each year for the last five years.
- The threat of west nils virus will affect the operations of the Vector Control District.

Requests for Information

This financial report is designed to present users with a general overview of the District’s finances and to demonstrate the District’s accountability. If you have questions concerning any of the information provided in this report or need additional financial information, contact the County Auditor’s Office, Box 2806, Fargo, ND 58103.

Cass County Vector Control District

Statement of Net Position
December 31, 2014

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash and Cash Equivalents	\$ 244,794
Receivables:	
Accounts Receivable	20,645
Taxes Receivable	5,135
Inventory	46,482
Prepaid Item	6,729
Capital Assets - Net of Accumulated Depreciation	<u>128,813</u>
Total Assets	<u>\$ 452,597</u>
<u>Liabilities:</u>	
Accounts Payable	\$ 835
Noncurrent Liabilities:	
Due within one year	<u>16,890</u>
Total Liabilities	<u>\$ 17,726</u>
Deferred Inflows of Resources	
Unavailable Revenue - Property Taxes	<u>\$ 149,330</u>
<u>Net Position</u>	
Net Investment in Capital Assets	\$ 128,813
Unrestricted	<u>156,729</u>
Net Position	<u>\$ 285,541</u>

The accompanying notes are an integral part of the financial statements.

Cass County Vector Control District

Statement of Activities
For the Year Ended December 31, 2014

Functions/Programs	Program Revenues			Capital Grants and Contributions	Net(Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions		
Governmental activities:					
Conservation & Economic Development	\$ 891,168	\$ 324,663	\$ -	\$ -	\$ (566,505)
Total primary government	<u>\$ 891,168</u>	<u>\$ 324,663</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (566,505)</u>
			General Revenues:		
			Property Taxes	\$ 538,413	
			State Shared Revenues	50,457	
			Miscellaneous Revenues	9,665	
			Unrestricted Interest Earnings	703	
			Total General Revenues	<u>\$ 599,238</u>	
			Changes in Net Position	\$ 32,733	
			Net Position - January 1	<u>252,809</u>	
			Net Position - December 31	<u>\$ 285,541</u>	

The accompanying notes are an integral part of the financial statements.

Cass County Vector Control District

Balance Sheet - Governmental Funds

December 31, 2014

	Governmental Fund Type
	<u>General Fund</u>
<u>Assets:</u>	
Cash and Cash Equivalents	\$ 244,794
Receivables:	
Accounts Receivable	20,645
Taxes Receivable	5,135
Inventory	46,482
Prepaid Item	<u>6,729</u>
 Total Assets	 <u>\$ 323,784</u>
 <u>Liabilities:</u>	
Accounts Payable	<u>\$ 835</u>
 Total Liabilities	 <u>\$ 835</u>
 <u>Deferred Inflows of Resources:</u>	
Unavailable Revenue - Property Taxes	<u>\$ 154,465</u>
 <u>Fund Balances</u>	
Unassigned	\$ 115,274
Nonspendable	<u>53,211</u>
Total Fund Balances	<u>\$ 168,484</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <u>\$ 323,784</u>

The accompanying notes are an integral part of the financial statements.

Cass County Vector Control District

Reconciliation of the Balance Sheet
of Governmental Funds to the Statement of Net Position
December 31, 2014

Fund balance - total governmental funds		\$	168,484
Amounts reported for governmental activities in the statement of net position are different because:			
Add - Capital Assets		\$	456,972
Deduct - accumulated depreciation			<u>(328,159)</u>
Net Capital Assets			128,813
Property taxes 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 unavailable revenues in the funds			5,135
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Compensated Absences Payable			<u>(16,890)</u>
Net position of governmental activities		\$	<u>285,541</u>

The accompanying notes are an integral part of these financial statements

Cass County Vector Control District

Statement of Revenues, Expenditures and Changes in
Fund Balances - All Governmental Fund Types
For the Year Ended December 31, 2014

	<u>Actual</u>
<u>Revenues:</u>	
Taxes	\$ 539,905
Intergovernment Revenues	50,457
Charges for Services	324,663
Miscellaneous Revenues	<u>703</u>
Total Revenues	<u>\$ 915,728</u>
<u>Expenditures:</u>	
Current:	
Conservation & Economic Development	<u>\$ 937,323</u>
Total Expenditures	<u>\$ 937,323</u>
Excess of Revenues Over (Under)	
Expenditures	<u>\$ (21,595)</u>
<u>Other Financing Sources</u>	
Sale of Property	<u>\$ 9,665</u>
Total Other Financing Sources	<u>\$ 9,665</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	<u>\$ (11,930)</u>
Fund Balance-January 1	<u>\$ 180,415</u>
Fund Balance-December 31	<u><u>\$ 168,484</u></u>

The accompanying notes are an integral part of the financial statements.

Cass County Vector Control District

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended December 31, 2014

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in fund balances - total governmental funds	\$	(11,930)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.

Capital Asset Additions	\$ 84,144		
Current Year Depreciation	<u>(29,519)</u>		54,626

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.

(1,492)

Some expenses reported in the statement of activities do not require the use of current financial resources and , therefore are not reported as expenditures in the governmental funds.

Net increase in Compensated Absences		<u>(8,470)</u>
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Change in net position of governmental activities	\$	<u><u>32,733</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

Cass County Vector Control District

Statement of Budget and Actual
For the Year Ended December 31, 2014

	Budget		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 535,088	\$ 535,088	\$ 539,905	\$ 4,817
Intergovernment Revenues	52,490	52,490	50,457	(2,033)
Charges for Services	364,500	364,500	324,663	(39,837)
Miscellaneous Revenues	613	613	703	90
Total Revenues	\$ 952,691	\$ 952,691	\$ 915,728	\$ (36,963)
Expenditures:				
Current:				
Conservation & Economic Development	\$ 950,704	\$ 950,704	\$ 937,323	\$ 13,381
Total Expenditures	\$ 950,704	\$ 950,704	\$ 937,323	\$ 13,381
Excess of Revenues Over (Under) Expenditures	\$ 1,987	\$ 1,987	\$ (21,595)	\$ (23,582)
Other Financing Sources				
Sale of Property	\$ -	\$ -	\$ 9,665	\$ 9,665
Total Other Financing Sources	\$ -	\$ -	\$ 9,665	\$ 9,665
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	\$ 1,987	\$ 1,987	\$ (11,930)	\$ (13,917)
Fund Balance-January 1	\$ 180,415	\$ 180,415	\$ 180,415	\$ -
Fund Balance-December 31	<u>\$ 182,402</u>	<u>\$ 182,402</u>	<u>\$ 168,484</u>	<u>\$ (13,917)</u>

The accompanying notes are an integral part of the financial statements.

CASS COUNTY VECTOR CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Cass County Vector Control District, a component unit of Cass County, have been prepared in conformity with generally accepted accounting principles 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 government's accounting policies are described below.

A. The Financial Reporting Entity

The accompanying financial statements present the activities of the Cass County Vector Control District. The district has included all funds, and has considered all potential component units for which the District is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Government 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 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 District.

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds.

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 and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all

eligibility requirements imposed by the provider have been met.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental fund:

The General Fund is the government's operating fund. It accounts for all financial resources of the general government.

D. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at year-end.

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources, are recorded to reserve that portion of the applicable appropriation, is not utilized in the governmental funds.

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, money market accounts and certificates of deposit. Deposits must be deposited either 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 secured with pledges of securities equal to 110% of the uninsured balance.

The District pools its cash with Cass County Government to maximize investment returns. State statutes authorize the County to invest in:

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

F. Receivables

Receivables in the governmental fund consist primarily of tax revenues and state aid from the North Dakota Treasurer's Office.

G. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased. The inventory is offset within the nonspendable classification of fund balance in the fund financial statements which indicates that inventory does not constitute "available spending resources: even though it is a component of net current assets.

H. Prepaid Item

Payments made to vendors for services that will benefit periods beyond December 31, 2014, are recorded as prepaid items.

I. Capital Assets

Capital assets, which include machinery and equipment, are reported in the governmental activities column in the government-wide financial statements. The capitalization threshold is \$5,000. Assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation on the capital assets is computed using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Machinery & Equipment	10

J. Accounts Payable

Accounts payable are liability accounts reflecting amounts on open accounts owing to private persons or organizations for goods and services received prior to December 31, 2014.

K. Deferred Inflows of Resources

The statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time. The government has only one type of item that qualifies for reporting in this category. The government reports unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

L. Compensated Absences

Vested or accumulated vacation leave are payable to employees upon separation from service. All vacation leave pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported. No liability is recorded for accumulated sick leave as this is a non-vesting benefit. The computed liability is in compliance with GASB Statement No. 16, Accounting for Compensated Absences.

M. Fund Balances

In the governmental fund financial statements, governmental funds report fund balances in classifications that comprise a hierarchy based primarily on the extent to which the board is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

- Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Unassigned – The residual classification for the general fund.

N. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, consists of capital assets, net of accumulated depreciation. Unrestricted net position consists of activity related to the general fund.

NOTE 2: DISTRICT ESTABLISHMENT

The Cass County Vector Control District was established in October of 1987 under authority of Chapter 23-24 of the North Dakota Century Code. The district's primary responsibility is to control mosquito production on public land. A three-member board appointed by the County Board of Commissioners governs the Vector Control District. The Cass County Engineer, a county department head, provides management responsibilities. The district is located at the Cass County Highway Department.

NOTE 3: LEGAL COMPLIANCE - BUDGETS

The Cass County Vector Control District prepares a preliminary budget, which includes the proposed expenditures and the means of financing them. The preliminary budget is presented to the Cass County Commission for review. The Commission holds public hearings and may add to, subtract from or change appropriations. A final budget, with or without revisions, is approved on or before October 1.

During the year no supplementary appropriations were necessary.

NOTE 4: TAXES RECEIVABLE

The taxes receivable represent the past four years of delinquent uncollected tax levies and billings. 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. 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.

NOTE 5: CAPITAL ASSETS

The following is a summary of changes in the capital assets during the year ended December 31, 2014:

	Balance 1/1/2014	Additions	Deletions	Balance 12/31/2014
Capital assets being depreciated:				
Machinery & Equipment	\$ 395,328	\$ 84,144	\$ (22,500)	\$ 456,972
Less Accumulated Depreciation:				
Machinery & Equipment	(321,140)	(29,519)	22,500	(328,159)
Total Capital Assets Net of Depreciation	<u>\$ 74,188</u>	<u>\$ 54,625</u>	<u>\$ 0</u>	<u>\$ 128,813</u>

NOTE 6: NONCURRENT LIABILITIES

During the year ended December 31, 2014, the following changes occurred in liabilities reported in noncurrent.

	Balance 1/1/2014	Additions	Reductions	Balance 12/31/2014	Due Within One Year
Compensated Absences	\$ 8,421	\$ 17,013	\$ 8,543	\$ 16,890	\$ 16,890

NOTE 7: RISK MANAGEMENT

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

In 1986 state agencies and political subdivision 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 more than 2,000 political subdivisions. Cass County Vector Control District is insured with Cass County Government, which pays an annual premium to NDRIF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of two million dollars per occurrence.

Cass County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The county pays an annual premium to the Fire and Tornado Fund to cover property damage to building and personal property. Estimating replacement cost in consultation with the Fire and Tornado Fund provides replacement cost coverage. 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 the County with blanket fidelity bond coverage in the amount of \$1,500,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

Cass County also participates in the North Dakota Worker's Compensation Bureau.

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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**

Independent Auditor's Report

Governing Board
Cass County Vector Control 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, and the major fund, of Cass County Vector Control District, West Fargo, North Dakota, a component unit of Cass County, Fargo, North Dakota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Cass County Vector Control District's basic financial statements, and have issued our report thereon dated June 22, 2015.

Internal Control Over Financial Reporting

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

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

CASS COUNTY VECTOR CONTROL DISTRICT

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cass County Vector Control 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*.

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

Fargo, North Dakota
June 22, 2015

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Governing Board
Cass County Vector Control District
West Fargo, North Dakota

We have audited the financial statements of the governmental activities, and the major fund of Cass County Vector Control District, West Fargo, North Dakota, a component unit of Cass County, Fargo, North Dakota, for the year ended December 31, 2014, and have issued our report thereon dated June 22, 2015. 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 April 22, 2015, 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 Vector Control 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 Vector Control District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cass County Vector Control District's internal control over financial reporting.

As part of obtaining reasonable assurance about whether Cass County Vector Control 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.

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 Vector Control District are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2014. 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 June 22, 2015.

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 county'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 Vector Control District Governing Board and management of Cass County Vector Control 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 Vector Control 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 Vector Control District.



Robert R. Peterson
State Auditor

Fargo, North Dakota
June 22, 2015

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