

NORTH DAKOTA
OILSEED COUNCIL
Bismarck, North Dakota

Audit Report

For the Two Years Ended
June 30, 2014

ROBERT R. PETERSON
STATE AUDITOR



Office of the State Auditor
Division of State Audit

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Independent Auditor's Report

Honorable Jack Dalrymple, Governor

Members of the Legislative Assembly

Members of the North Dakota Oilseed Council

Ms. Lerrene Kroh, Administrator, North Dakota Oilseed Council

We have audited the accompanying Comparative Statement of Revenues and Expenditures of the North Dakota Oilseed Council fund of the state of North Dakota, for the years ended June 30, 2014, and 2013 and the related notes (the financial statement) as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement 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 the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. 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 statement 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 statement.

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues and expenditures of the North Dakota Oilseed Council fund, for the years ended June 30, 2014 and 2013 in accordance with accounting principles generally accepted in the United States of America.

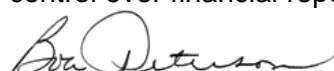
Emphasis of Matters

As discussed in Note 1, the financial statement presents only the North Dakota Oilseed Council fund's revenues and expenditures, and do not purport to, and do not present fairly the financial position of the state of North Dakota as of June 30, 2014 or 2013, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1 the financial statement is presented and audited in accordance with North Dakota Century Code 4-24-10. This financial statement is not intended to be a complete presentation of the North Dakota Oilseed Council Fund's assets and liabilities. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2014 on our consideration of the North Dakota Oilseed Council'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 the North Dakota Oilseed Council's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Bismarck, North Dakota

October 22, 2014

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of a Financial Statement Performed in Accordance with Government Auditing Standards

Honorable Jack Dalrymple, Governor

Members of the Legislative Assembly

Members of the North Dakota Oilseed Council

Ms. Lerrene Kroh, Administrator, North Dakota Oilseed Council

We have audited, 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, the financial statement of the North Dakota Oilseed Council, for the two-year period ended June 30, 2014, and the related notes to the financial statement and have issued our report thereon dated October 22, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Dakota Oilseed Council'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 opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of North Dakota Oilseed Council's internal control. Accordingly, we do not express an opinion on the effectiveness of North Dakota Oilseed Council'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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North Dakota Oilseed Council's financial statement is 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 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

Bismarck, North Dakota

October 22, 2014

Comparative Statement of Revenues and Expenditures

North Dakota Oilseed Council

For the Years Ended June 30, 2014 and 2013

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
<u>Revenues</u>		
Assessments (net of refunds of \$61,654 and \$83,843)	\$ 1,088,687	\$ 1,294,247
Interest on Investments	<u>878</u>	<u>1,031</u>
Total Revenues	<u>\$ 1,089,565</u>	<u>\$ 1,295,278</u>
<u>Expenditures</u>		
Professional Services	\$ 1,115,504	\$ 1,119,816
Salaries and Benefits	79,696	75,389
Operating Fees and Services	2,444	17,805
Travel	2,614	4,312
IT Communications	2,553	2,922
Professional Development	1,496	2,746
Office Supplies	101	236
Insurance	558	557
Postage	1,257	1,418
Printing	<u>1,214</u>	<u>1,303</u>
Total Expenditures	<u>\$ 1,207,437</u>	<u>\$ 1,226,504</u>
Revenues Over/(Under) Expenditures	<u>\$ (117,872)</u>	<u>\$ 68,774</u>

See Notes to the Comparative Statement of Revenues and Expenditures.

Notes to the Comparative Statement of Revenues and Expenditures

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statement of the North Dakota Oilseed Council (hereafter Council) has been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

For financial reporting purposes, the North Dakota Oilseed Council includes all funds, programs, and activities over which it is financially accountable. The North Dakota Oilseed Council does not have any component units as defined by the Government Accounting Standards Board. The North Dakota Oilseed Council is part of the state of North Dakota as a reporting entity. The comparative statement of revenues and expenditures report all expenditure activity in the administration program.

The North Dakota Oilseed Council was established by North Dakota Century Code (NDCC), chapter 4.1-09, and is responsible for promoting the production, development, marketing, and advertising of sunflower, safflower, rapeseed or canola, crambe, and flax within North Dakota. The Council receives its funding through an assessment of four cents per hundredweight on sunflowers and canola, three cents per bushel on flax, and three cents per hundredweight on all other oilseeds grown in North Dakota or sold to a first purchaser. The Council operates on a continuing appropriation and received no funding from the state legislature.

B. Basis of Presentation

The comparative statement of revenues and expenditures includes all activities of the reporting entity as defined above. These activities are funded from the North Dakota Oilseed Council's operating fund. The statement of revenues and expenditures is a combined statement to give the users an overview of the agency's activity.

C. Basis of Presentation

North Dakota Century Code 4-24-10 requires certain commodity promotion groups to prepare a report for the legislative assembly. As part of this report the applicable commodity groups are required to prepare a single-page uniform statement of revenues and expenditures.

Revenues and expenditures on the comparative statement of revenues and expenditures are reported on the modified accrual basis of accounting which is generally accepted accounting principles (GAAP) for governmental fund types.

Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e. measurable and available). Measurable means the amount can be determined, available means due and collectible within the current period or soon enough

thereafter to be used to pay liabilities of the current period. Revenues are considered available if they are collected within a year after fiscal year end. Expenditures are recorded when goods or services are received. Exceptions include: principal and interest expenditures which are recorded when due; compensated absences which are recorded when paid.

D. GAAP Reporting Differences

GAAP financial statements would include a balance sheet. GAAP financial statements would also provide additional note disclosures.

NOTE 2 - RELATED PARTIES

As noted in Note 1 of these financial statements, the Council is an agency of the state of North Dakota, as such; other agencies of the state are related parties. Payments to other state agencies include, but are not limited to, operating expenditures to the Information Technology Department, Office of Management and Budget, and Attorney General's Office as well as research grants to North Dakota State University.

Additionally, the North Dakota Oilseed Council has seven members representing sunflower producers. These members are also on the National Sunflower Association (NSA) board of directors. The North Dakota Oilseed Council contracts with the NSA to promote market development and research for sunflowers.

NOTE 3 – OTHER SIGNIFICANT ITEMS

The North Dakota Oilseed Council has cash and investment reserves of \$660,576 as of June 30, 2014. Based on the average monthly expenditures for fiscal year 2014, this amount represents approximately 6 months of expenditures.

Supplementary Information

Responses to LAFRC Audit Questions

The Legislative Audit and Fiscal Review Committee (LAFRC) requests certain items be addressed by auditors performing audits of state agencies.

- 1. What type of opinion was issued on the financial statements?*

Unmodified.

- 2. Was there compliance with statutes, laws, rules, and regulations under which the agency was created and is functioning?*

Yes.

- 3. Was internal control adequate and functioning effectively?*

Yes.

- 4. Were there any indications of lack of efficiency in financial operations and management of the agency?*

No.

- 5. Has action been taken on findings and recommendations included in prior audit reports?*

Yes.

- 6. Was a management letter issued? If so, provide a summary below, including any recommendations and the management responses.*

No.

LAFRC Audit Communications

1. *Identify any significant changes in accounting policies, any management conflicts of interest, any contingent liabilities, or any significant unusual transactions.*

There were no significant changes in accounting policies, and no management conflicts of interest, contingent liabilities, or significant unusual transaction were noted.

2. *Identify any significant accounting estimates, the process used by management to formulate the accounting estimates, and the basis for the auditor's conclusions regarding the reasonableness of those estimates.*

None.

3. *Identify any significant audit adjustments.*

None.

4. *Identify any disagreements with management, whether or not resolved to the auditor's satisfaction relating to a financial accounting, reporting, or auditing matter that could be significant to the financial statements.*

We are pleased to report that no significant disagreements arose during the course of our audit.

5. *Identify any serious difficulties encountered in performing the audit.*

None.

6. *Identify any major issues discussed with management prior to retention.*

This is not applicable for audits conducted by the Office of the State Auditor.

7. *Identify any management consultations with other accountants about auditing and accounting matters.*

None.

8. *Identify any high-risk information technology systems critical to operations based on the auditor's overall assessment of the importance of the system to the agency and its mission, or whether any exceptions identified in the six audit report questions to be addressed by the auditors are directly related to the operations of an information technology system.*

ConnectND Finance and Human Resource Management System (HRMS) are the high-risk information technology systems critical to the North Dakota Oilseed Council.

Governance Communication

October 22, 2014

To: The North Dakota Oilseed Council

The Legislative Audit and Fiscal Review Committee

We have audited the comparative statement of revenues and expenditures of the governmental activities of the North Dakota Oilseed Council for the two-year period ended June 30, 2014, and have issued our report thereon dated October 22, 2014. Professional standards require that we provide you with the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the North Dakota Oilseed Council are described in Note 1 to the comparative statement of revenues and expenditures. No new accounting policies were adopted and the application of existing policies was not changed during the period under audit. 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 comparative statement of revenues and expenditures in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

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

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 communicate 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 financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, which could be significant to the comparative statement of revenues and expenditures 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 October 22, 2014.

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 governmental unit'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.

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. It should be noted that the retention of the State Auditor is a matter of state law and is not under the control of the North Dakota Oilseed Council

This information is intended solely for the use of the North Dakota Oilseed Council and management of the North Dakota Oilseed Council and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Kevin Scherbenske
Auditor In-Charge

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