

NORTH DAKOTA  
SOYBEAN COUNCIL  
FARGO, NORTH DAKOTA

# Audit Report

For the Fiscal Years Ending  
June 30, 2015 and June 30, 2014

Office of the State Auditor  
Division of State Audit

**LEGISLATIVE AUDIT AND FISCAL REVIEW  
COMMITTEE MEMBERS**

***Senator Jerry Klein – Chairman***  
***Representative Chet Pollert – Vice Chairman***

Representatives

*Patrick R. Hatlestad*  
*Jerry Kelsh*  
*Keith Kempenich*  
*Lawrence R. Klemin*  
*Gary Kreidt*  
*Andrew Maragos*  
*Bob Martinson*  
*Corey Mock*  
*Mike Nathe*  
*Marvin E. Nelson*  
*Robert J. Skarphol*

Senators

*Judy Lee*  
*David O'Connell*

# Contents

---

<i>Independent Auditor's Report</i>	<i>1</i>
<i>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</i>	<i>4</i>
<i>Financial Statements</i>	<i>6</i>
<i>Balance Sheet</i>	<i>6</i>
<i>Statement of Revenues, Expenditures, and Changes in Fund Balance</i>	<i>7</i>
<i>Notes to the Financial Statements</i>	<i>8</i>
<i>Required Supplementary Information</i>	<i>18</i>
<i>Schedule of Employer's Share of Net Pension Liability</i>	<i>18</i>
<i>Schedule of Employer Contributions</i>	<i>18</i>
<i>Supplementary Information</i>	<i>19</i>
<i>Schedule of Contracts/Grants in Process</i>	<i>19</i>
<i>Schedule of Activities – Actual and Budget</i>	<i>22</i>
<i>Responses to LAFRC Audit Questions</i>	<i>23</i>
<i>LAFRC Audit Communications</i>	<i>24</i>
<i>Governance Communication</i>	<i>25</i>



STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
FARGO BRANCH OFFICE  
4342 15<sup>th</sup> AVENUE SOUTH, SUITE 203  
FARGO, NORTH DAKOTA 58103

## *Independent Auditor's Report*

---

Honorable Jack Dalrymple, Governor

Members of the Legislative Assembly

Members of the North Dakota Soybean Council

Diana Beitelspacher, Chief Executive Officer

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the North Dakota Soybean Council Operating Fund of the state of North Dakota, as of and for the years ended June 30, 2015 and 2014 and the related notes to the 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 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 North Dakota Soybean Council Operating Fund as of June 30, 2015 and 2014 and the change 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 1, the financial statements present only the North Dakota Soybean Council Fund, and do not purport to, and do not present fairly the financial position of the state of North Dakota as of June 30, 2015 or 2014 or the changes in its financial position for the years then ended in conformity 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 to the financial statements, in 2015, the North Dakota Soybean Council Fund adopted new accounting guidance Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Schedule of Employer's Share of Net Pension Liability and the Schedule of Employer Contributions 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 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 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 evidence sufficient to express an opinion or provide any assurance.

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.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the North Dakota Soybean Council Operating Fund's financial statements. The Schedule of Contracts/Grants in Process and Schedule of Activities – Actual and Budget are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Contracts/Grants in Process and Schedule of Activities – Actual and Budget is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Contracts/Grants in Process and Schedule of Activities – Actual and Budget is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2015 on our consideration of the North Dakota Soybean 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 Soybean Council's internal control over financial reporting and compliance.



Robert R. Peterson  
State Auditor

Fargo, North Dakota

September 9, 2015

# ***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***

---

Honorable Jack Dalrymple, Governor

Members of the Legislative Assembly

Members of the North Dakota Soybean Council

Diana Beitelspacher, Chief Executive Officer

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 North Dakota Soybean Council Operating Fund, as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise North Dakota Soybean Council's financial statements, and have issued our report thereon dated September 9, 2015.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the North Dakota Soybean 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Dakota Soybean Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the North Dakota Soybean 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 Soybean Council Operating Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and the Soybean Promotion, Research and Consumer Information Act of 1990, and the Soybean Promotion and Research Order (the "Order") relative to the use and investment of funds collected by the North Dakota Soybean Council and with terms described in Sections 1220.228(a) and 1220.211(j) of the Order relative to prohibited uses of funds collected by the North Dakota Soybean Council, 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*.

In connection with our audit, nothing came to our attention that caused us to believe that the North Dakota Soybean Council failed to comply with the terms, in so far as they related to accounting matters of the Soybean Promotion, Research and Consumer Information Act of 1990, and the Soybean Promotion Order (the "Order") relative to the use of funds collected by the North Dakota Soybean Council, with the terms described in Section 1220.228(a) of the Order relative to prohibited use of funds collected by the North Dakota Soybean Council, and with the terms described in Section 1220.211(j) of the Order relative to the investment of funds collected by the North Dakota Soybean Council. However, our audit was not directed toward obtaining knowledge of such noncompliance in the use and investment of funds.

## 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 North Dakota Soybean Council'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, ND

September 9, 2015



## *Financial Statements*

---

### **Balance Sheet**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 9,892,681	\$ 9,361,655
Investments	1,558,300	1,558,300
Assessments receivable	172,420	210,605
Interest receivable	636	526
Total assets	<u>\$ 11,624,037</u>	<u>\$ 11,131,086</u>
 <u>Liabilities and Fund Balance</u>		
Liabilities:		
Accounts payable	\$ 1,081,898	\$ 657,005
Accrued payroll	357,956	374,346
Due to other state agencies	69,446	706
Due to the United Soybean Board	46,917	44,806
Due to Other Qualified State Soybean Boards		60,708
Total liabilities	<u>\$ 1,556,217</u>	<u>\$ 1,137,571</u>
 Fund Balance:		
Restricted	<u>\$ 10,067,820</u>	<u>\$ 9,993,515</u>
Total fund balance	<u>\$ 10,067,820</u>	<u>\$ 9,993,515</u>
Total liabilities and fund balance	<u>\$ 11,624,037</u>	<u>\$ 11,131,086</u>

*See Notes to the Financial Statements.*

## Statement of Revenues, Expenditures, and Changes in Fund Balance

For the Fiscal Years Ended June 30, 2015 and 2014

	<u>Governmental Funds</u>	
	<u>June 30, 2015</u>	<u>June 30, 2014</u>
<u>Revenues</u>		
Assessment revenues collected from 1st Purchasers	\$ 10,029,231	\$ 11,164,149
Less:		
Assessment revenue remitted to Qualified State Soybean Boards	(341,648)	(442,082)
Assessment revenue remitted to United Soybean Board	<u>(4,635,947)</u>	<u>(4,894,477)</u>
Net assessment revenues	\$ 5,051,636	\$ 5,827,590
Interest income	31,134	8,972
Miscellaneous revenue	10,672	29,502
Transfers from general fund	3,255	
Total revenues	<u>\$ 5,096,697</u>	<u>\$ 5,866,064</u>
 <u>Expenditures</u>		
Program expenditures:		
Printing		\$ 11,009
Marketing	\$ 1,374,701	1,024,731
Communications	901,692	651,604
Producer education		254,014
Research	<u>1,887,280</u>	<u>1,488,751</u>
Total program expenditures	\$ 4,163,673	\$ 3,430,109
Administration	\$ 858,719	\$ 806,070
Total expenditures	<u>\$ 5,022,392</u>	<u>\$ 4,236,179</u>
Revenues over expenditures	<u>\$ 74,305</u>	<u>\$ 1,629,885</u>
Fund Balance, Beginning of Year	<u>\$ 9,993,515</u>	<u>\$ 8,363,630</u>
Fund Balance, End of Year	<u>\$ 10,067,820</u>	<u>\$ 9,993,515</u>

*See Notes to the Financial Statements.*

# Notes to the Financial Statements

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The responsibility for these financial statements, the internal control structure, and compliance with laws and regulations belongs to the management of the North Dakota Soybean Council (hereafter Council). A summary of the significant accounting policies follows:

A. Reporting Entity

For financial reporting purposes, the Council includes all funds, programs, and activities over which it is financially accountable. The Council does not have any component units as defined by the Government Accounting Standards Board. The Council was created by the state legislature and is part of the state of North Dakota as a reporting entity. The financial statements report all revenue and expenditure activity in the operations program.

B. Reporting Structure

The financial statements include all activities of the reporting entity as defined above. In accordance with NDCC section 4.1-11-15 these activities are funded on a continuing appropriation basis from a special revenue fund (the Soybean Council fund).

C. Fund Financial Statements

Separate fund financial statements are provided for the Soybean Council governmental fund.

D. Fund Accounting Structure

The Council uses a fund to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The Council reports the Soybean Council's operating fund as a major governmental fund. It is used to account for the collection of assessments and transactions to provide and participate in programs to increase the use and consumption of soybeans through such means as advertising, research, consumer information, industry information, sales promotion, and education of the soybean industry.

E. Basis for Accounting

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual, generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period, generally within 30 days of year end. The revenues that are determined to be susceptible to accrual are soybean assessments and interest.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments, are recorded only when payment is due and payable.

F. Cash and Cash Equivalents

Cash and cash equivalents for reporting purposes includes cash and short-term, highly liquid investments that are readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rate. This includes investments with original maturity of three months or less. Also, cash, as reported, may be under the control of the State Treasurer or by other administrative bodies as determined by law.

G. Investments

Investments include certificates of deposit that are reported at cost.

H. Receivables

Receivables include assessments receivable on soybeans, accounts receivable, and interest receivable on investments.

I. Capital Assets

Capital assets are stated at cost. Equipment and intangible assets with an original cost of \$5,000 or more and an estimated useful life in excess of one year are capitalized. Depreciation is computed on a straight-line basis over the estimated useful life of the assets. The useful life for equipment is 3-20 years and intangible assets is 5 years.

J. Compensated Absences

Annual and sick leave are part of a permanent employees' compensation as set forth in section 54-06-04 of the North Dakota Century Code. In general, accrued annual leave cannot exceed 30 days at April 30, while accrued sick leave is not limited. Employees are entitled to earn leave based on tenure of employment, within a range from a minimum of one working day, to a maximum of two working days per month, established by the rules and regulations adopted by the employing unit. Employees are paid for all unused annual leave upon termination or retirement, per section 54-06-14 of the North Dakota Century Code. Employees vest in sick leave at ten years of credible service, at which time the employer is liable for 10% of the accumulated unused sick leave.

K. Fund Balance

The difference between fund assets and liabilities is "Fund Balance" on the governmental fund statements. Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned, or unassigned. All of the Council's fund balance is considered restricted.

L. Program Expenditure Classification Changes

Classification changes were made to more accurately reflect the funds being spent on specific projects under the purview of each committee of the Council. As a result, fiscal year 2014 program expenditures were realigned under four primary categories: General and Administrative Expenses (overseen by the Executive Committee); Marketing (overseen by the Marketing Committee to include both domestic and international marketing programs); Research (which remained unchanged between fiscal year 2013 and fiscal year 2014; and Communications (overseen by the Communications Committee). Payroll is included in Administration rather than being allocated among the programs in order to present an accurate picture of where staff time was being spent.

M. New Accounting Pronouncements

During fiscal year 2015, the state of North Dakota adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – amendment of GASB No. 68*.

The state of North Dakota will implement the following new pronouncements for fiscal years ending after 2015:

GASB Statement No. 72, *Pension Transition for Contributions Made Subsequent to the Measurement Date – and amendment of GASB Standard No. 68*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67-68*, GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other than Pension Plans*, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

A. Deposits

State law generally requires that all state funds be deposited in the Bank of North Dakota. NDCC 21-04-01 provides that public funds belonging to or in the custody of the state shall be deposited in the Bank of North Dakota. Also, NDCC 6-09-07 states, “all state funds must be deposited in the Bank of North Dakota” or must be deposited in accordance with constitutional and statutory provisions.

The carrying amount of deposits was \$9,892,681 and \$9,361,655 at June 30, 2015 and 2014, respectively. All deposits are exposed to custodial credit risk because they are not covered by depository insurance and the deposits are uncollateralized. All of the Council’s deposits are at the Bank of North Dakota. Deposits with the Bank of North Dakota are considered uninsured; however, these investments are guaranteed by the state of North Dakota (NDCC Chapter 6-09-10).

B. Investments

All investments must be short-term (one year or less), risk free (federally insured or fully collateralized), and interest bearing. The fair value of investments was \$1,558,300 at June 30, 2015 and 2014. All investments were certificates of deposit insured by the U.S. government. NDCC 4-24-09 states the state treasurer shall credit twenty percent of the investment income to the general fund in the state treasury as payment for services when provided without cost to the Council, the remaining 80% is credited to the soybean fund.

### NOTE 3 - CAPITAL ASSETS

The following is a summary of capital assets for the fiscal years ended June 30, 2015 and 2014.

	Balance 7/1/14	Additions	Adjustments	Transfers	Balance 6/30/15
<b>Capital assets, depreciable</b>					
Equipment	\$ 116,916	\$ 256,171			\$ 373,087
Intangible assets	12,210				12,210
Total capital assets, depreciable	\$ 129,126	\$ 256,171			\$ 385,297
<b>Less accumulated depreciation</b>					
Equipment	66,573	5,261			71,834
Intangible assets	7,326	2,442			9,768
Total accumulated depreciation	\$ 73,899	\$ 7,703			\$ 81,602
Total capital assets, depreciable, net	\$ 55,227	\$ 248,468			\$ 303,695
	Balance 7/1/13	Additions	Adjustments	Transfers	Balance 6/30/14
<b>Capital assets, depreciable</b>					
Equipment	\$ 116,916				\$ 116,916
Intangible assets	12,210				12,210
Total capital assets, depreciable	\$ 129,126				\$ 129,126
<b>Less accumulated depreciation</b>					
Equipment	61,312	5,261			66,573
Intangible assets	4,884	2,442			7,326
Total accumulated depreciation	\$ 66,196	\$ 5,261			\$ 73,899
Total capital assets, depreciable, net	\$ 62,930	\$ (5,261)			\$ 55,227

### NOTE 4 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities for the fiscal years ended June 30, 2015 and 2014 is presented as follows:

	Balance 7/1/14	Additions	Reductions	Balance 6/30/15	Current Portion
Compensated Absences	\$ 41,701	\$ 33,906	\$ (26,377)	\$ 49,230	\$ 3,594
Total	\$ 41,701	\$ 33,906	\$ (26,377)	\$ 49,230	\$ 3,594

	Balance 7/1/13	Additions	Reductions	Balance 6/30/14	Current Portion
Compensated Absences	33,897	\$ 31,052	\$ (23,248)	\$ 41,701	\$ 2,631
Total	\$ 33,897	\$ 31,052	\$ (23,248)	\$ 41,701	\$ 2,631

## **NOTE 5 – LEASE OBLIGATIONS**

### Operating leases

The Council has two operating leases, for the rent of office space and for a copier. Expenditures for operating leases were \$64,474 and \$38,449, respectively for the fiscal years ended June 30, 2015 and 2014. Debt service requirements to maturity for operating lease obligations at June 30, 2015 are as follows:

<u>Fiscal Year</u>	<u>Future Minimum Lease Payments</u>
2016	\$ 65,580
2017	32,790
Total	<u>\$ 98,370</u>

## **NOTE 6 - PENSION AND POST-RETIREMENT PLANS/BENEFITS**

The Council participates in the North Dakota Public Employees' Retirement System (NDPERS), administered by the state of North Dakota. 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.

### A. Description of Pension Plan

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.

### B. 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.

C. 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.

D. 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
- 25 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

E. 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.



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

At June 30, 2015, the North Dakota Soybean Council reported a liability of \$263,486 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The North Dakota Soybean Council's proportion of the net pension liability was based on the North Dakota Soybean Council'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, 2014 the Employer's proportion was 0.041512 percent.

For the year ended June 30, 2015 the North Dakota Soybean Council recognized pension expense of \$26,071. At June 30, 2015, the North Dakota Soybean Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$8,543	\$0
Changes of assumptions	\$0	\$0
Net difference between projected and actual earnings on pension plan investments	\$0	(\$51,433)
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$0	\$0
Employer contributions subsequent to the measurement date	\$28,603	\$0
Total	\$37,146	(\$51,433)

\$28,603 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 June 30, 2016.

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

**Year ended June 30:**

2016	\$ (11,040)
2017	(11,040)
2018	(11,040)
2019	1,272
2020	0
Thereafter	0

**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.

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%	0.90%
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% 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 Employer'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%, 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%) or 1-percentage-point higher (9%) than the current rate:

	<b>1% Decrease (7%)</b>	<b>Current Discount Rate (8%)</b>	<b>1% Increase (9%)</b>
Employer's proportionate share of the net pension liability	\$406,373	\$263,486	\$144,012

**NOTE 7 - RISK MANAGEMENT**

The Council 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. The following are funds/pools established by the state for risk management issues.

The 1995 Legislative Session established the Risk Management Fund (RMF), an internal service fund, to provide a self-insurance vehicle for funding the liability exposures of state agencies resulting from the elimination of the state's sovereign immunity. The RMF manages the tort liability of the state and its agencies' employees and the university system. All state agencies participate in the RMF and their fund contribution is determined using a projected cost allocation approach. The statutory liability of the state is limited to a total of \$250,000 per person and \$1,000,000 per occurrence.

The Council also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The agency pays an annual premium to the Fire and Tornado Fund to cover for loss to business personal property, up to a limit of \$100,000. Replacement cost coverage is provided by estimating the 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 \$1,000,000 per occurrence during a 12-month period. The State Bonding Fund currently provides the agency with blanket fidelity bond coverage in the amount of \$2,000,000 per employee. The State Bonding Fund does not currently charge any premium for this coverage.

The Council participates in the North Dakota Worker's Compensation Bureau, an enterprise fund of the state of North Dakota. The Bureau is a state insurance fund and a "no fault" insurance system covering the state's employers and employees financed by premiums assessed to employers. The premiums are available for the payment of claims to employees injured in the course of employment. There have been no significant reductions in insurance coverage from the prior years and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**NOTE 8 - 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. The Council made payments to

North Dakota State University, North Dakota State University Development Foundation, and the Northern Crops Institute of \$1,959,931 during fiscal year 2015 and \$1,601,599 during fiscal year 2014. All payments were for research, funding, or services contracts or sponsorships except payments to the North Dakota State University Development Foundation were for scholarships, promotion, and sponsorship.

The Council also has a particularly close working relationship with the North Dakota Soybean Growers Association and made payments for promotional contracts to them of \$250,787 and \$251,707 during fiscal years 2015 and 2014, respectively.

The Council has a close working relationship and contracted with the following entities for additional research or education programs during fiscal year 2015: the North Central Soybean Research Program for \$200,000; the World Initiative for Soy in Human Health for \$120,000; the United Soybean Export Council \$67,041; the Soy Transportation Coalition for \$50,000; and the National Biodiesel Board for \$85,000. Fiscal year 2014 expenditures were: the North Central Soybean Research Program for \$150,000; the World Initiative for Soy in Human Health for \$191,333; the United Soybean Export Council \$95,850; and the Soy Transportation Coalition for \$50,000.

Effective September 6, 1996, the Council as Lessor leased a soybean combine (with a cost of \$80,621) to North Dakota State University as Lessee for one year. The lease is automatically extended for one year periods unless either party terminates the lease agreement. The lease payments are zero. The combine is to be used only within the soybean breeding program, with the Lessee providing insurance coverage and storage.

Effective March 27, 2014, the Council entered into an agreement with North Dakota State University for the use of a tractor owned by the Council. Terms of the agreement are for 36 months and may be renewed for two additional 3-year terms. Payments for the agreement are \$0. The tractor is to be used for research conducted by the soybean breeding program at the university.

Effective April 1, 2015, the Council entered into an agreement with North Dakota State University for use of a plot combine owned by the Council. Terms of the agreement are for 36 months and may be renewed for two additional 3-year terms. Payments for the agreement are \$0. The combine will be used for harvesting and other needs associated with the research activities of soybean breeding and research.

#### **NOTE 9 - COMMITMENTS**

The Council had approved research contracts with North Dakota State University for \$1,570,440, the North Central Soybean Research Program for \$200,000, and the North Dakota Soybean Assay Development Project for \$200,000, and approved promotional contracts with the North Dakota Soybean Growers Association for \$295,500 at June 30, 2015. The Council had approved research contracts with North Dakota State University for \$1,362,595 and approved promotional contracts with the North Dakota Soybean Growers Association for \$243,000 at June 30, 2014.

## *Required Supplementary Information*

---

### **Schedule of Employer's Share of Net Pension Liability**

**ND Public Employees Retirement System  
Last 10 Fiscal Years\***

	2015
Employer's proportion of the net pension liability (asset)	0.041512%
Employer's proportionate share of the net pension liability (asset)	\$263,486
Employer's covered-employee payroll	\$349,692
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	75.35%
Plan fiduciary net position as a percentage of the total pension liability	77.70%

\*Complete data for this schedule is not available prior to 2015.

### **Schedule of Employer Contributions**

**ND Public Employees Retirement System  
Last 10 Fiscal Years\***

	2015
Statutorily required contribution	\$24,898
Contributions in relation to the statutorily required contribution	(\$24,898)
Contribution deficiency (excess)	\$0
Employer's covered-employee payroll	\$349,692
Contributions as a percentage of covered-employee payroll	7.12%

\*Complete data for this schedule is not available prior to 2015.

## *Supplementary Information*

### **Schedule of Contracts/Grants in Process**

Contract/Grant	FY15 Total Budgeted	Expended as of 6/30/15	Balance 6/30/15
Soybean Response to Various Management Inputs Under Tile Drained Conditions	\$ 2,495		\$ 2,495
Seeding Date, Cultivar, and Location influence on soybean Performance and phenology in Eastern ND	30,075		30,075
Management of Soybean Aphids and Interaction with Soybean Cyst	10,160		10,160
Control of Soybean Diseases	54,500		54,500
Effect of Soil Salinity on Disease Resistance of Soybean	37,810		37,810
Expanding Virulence Evaluation of Soybean Cyst Nematode in ND	41,800		41,800
Plant-parasitic Nematodes on Soybean and Relationship with Soybean Cyst Nematode	28,810		28,810
Molecular Detection of Soybean Cyst Nematode in ND	30,750		30,750
Increasing Awareness of Soybean Cyst Nematode in ND	85,975		85,975
Evaluating the Effects of Soybean Planting Rates and Late Planting Dates	8,400		8,400
Impact of Selected Establishment Factors on Soybean Production	6,000		6,000
Optimizing the Use of Irrigation, row Spacing, partial Host Resistance, and Fungicides for Mgmt	50,100		50,100
Managing Sclerotinia in Soybeans with Contans	20,345		20,345
Utilizing Soybean Maturity Class and Planting Date Evaluation to Improve Soybean Production	16,055		16,055
Impacts of Tillage System, Fertility and Crop Rotation on Rhizobium Nodulation and Nitrogen Dynamics	14,392		14,392
Impact of Previous Crop on Soybean and Canola Production	20,250		20,250
Management of Soybean root Diseases in Multiple Planting Dates and Environments of ND	33,525		33,525
Weed Management in Soybean Contributes to a Field-Based Weed Control Strategy	5,155		5,155
Soil Salinity Gradients Damage to Soybeans and Pest Infestations	45,413		45,413
Research Efforts at the Soil Health and Agriculture Research Extension Farm (SHARE Farm)	68,545		68,545
Maximizing soil Warming and Health under Different Tillage Practices	51,155		51,155
Soil And Water Management for Soybean Production Under Fargo Clay	17,155		17,155
Improving Soil Health and Productivity of Sodic Soils	37,405		37,405
Digital Imaging Technique to Detect and Count Aphids in Soybean under Field Conditions	29,810		29,810
UAS/Precision Agriculture Applications to Soybean Management	26,508		26,508
Digital Imaging Technique to Detect and Rate iron deficiency Chlorosis (IDC) in Soybeans	26,094		26,094
Impact of Drainage Water Management and Sub-irrigation on Soil and Water Quality	49,829		49,829
Visual Ratings for Iron-Deficiency Chlorosis	86,749		86,749
Breeding of Improved Non-GMO Cultivars and Germplasm	224,671		224,671
Breeding of Glyphosate Resistant Soybean Cultivars	126,631		126,631
Polymers Derived from Biodiesel Waste for Road Dust Control	85,000		85,000

*(continued)*

*Schedule of Grants/Contracts in Process – continued*

Contract/Grant	FY15 Total Budgeted	Expended as of 6/30/15	Balance 6/30/15
Developing High Performance “Green” Tires using Soy Hull Based Cellulose Nanofibers	37,952		37,952
Effect of Plant Population and Row Spacing on Physiology, Water Use Efficiency, and Yield	13,727		13,727
Soywax for Sustainable Energy Applications	5,000		5,000
Development of a Ureide Tissue Test for Soybeans	9,980		9,980
Efficacy of Soybean Meal in Reducing the Effect of PRRS Challenge in Pigs	36,683		36,683
Demo the Effectiveness of Unmanned Aircraft - Nowatzki (6 month extension)	8,882		8,882
In-Field Crop Sensing Technology Applications - Nowatzki (6 month extension)	10,377		10,377
Commercial Eval of Novel Soy Based Resin - Dilpreet Bajwa (6 month extension)	6,276		6,276
Improving Soil Health and Productivity of Sodic Soils - Thomas DeSutter (6 month extension)	41,716		41,716
Determination and Validation of transcriptomic biomarkers - Hart (6 month extensions)	14,813		14,813
Novel, High Performance Soybased Materials for Composites and Coatings - Bret Chisholm (6 month extension)	10,904		10,904
Digital Image Technique to Detect and Count Aphids - Sreekala Bajwa (6 month extension)	2,569		2,569
NDSGA Leadership Contract	40,000		40,000
NDSGA Expo Edition Magazine Contract	10,500		10,500
NDSGA Magazine Contract	200,000		200,000
NDSGA Soy Promotion Contract - Employee Vehicle Contract	15,000		15,000
NDSGA Promotion Advertising Agreement	30,000		30,000
North Central Soybean Research Program	200,000		200,000
North Dakota Soybean Assay Development Project	200,000		200,000
	\$ 2,265,940	\$ -	\$ 2,265,940

Contract/Grant	Total Budgeted	Expended as of 6/30/14	Balance 6/30/14
Soybean Response to Nitrogen Inputs Under Tile Drained Conditions	\$ 10,086		\$ 10,086
Soybean Productivity on Raised Seedbeds	10,436		10,436
Infield Crop Sensing Technology Applications to Soybean Production	26,490		26,490
Demonstrate the Effectiveness of Unmanned Aircraft Systems in Soybean Crop Mgmt	18,791		18,791
Soil Water Use Shift in Soybeans	11,345		11,345
Visual Ratings for IDC	85,725		85,725
Breeding of Glyphosate Resistant Soybean Cultivars	124,454		124,454
Breeding of Improved Non-GMO Cultivars and Germplasm	221,589		221,589
Employeering Fall and Spring Herbicide Treatments to Combat Glyphosate Resistant Kochia in Central ND	21,125		21,125
Utilizing Winter Rye to Suppress Kochia Emergence Prior to Soybean Planting	4,725		4,725
Evaluating the Effects of Soybean Plant Stand by Planting Date	7,625		7,625
Impact of Selected Establishment Factors on Soybean Production	16,125		16,125
Management of Soybean Root Diseases in Multiple Planting Dates and Environment of ND	33,625		33,625
Optimizing the Use of Row Spacing, Partial Host Resistance, and Fungicides for Mgmt of Sclerotinia in Soy	35,925		35,925
Managing Sclerotinia in Soybeans with Contans	20,125		20,125
Screen Breeding Lines for Resistance to Diseases, Identify New and Virulent Strains of Soybean Pathogens	54,500		54,500
Virulent Types of SCN in ND (SBARE)	9,600		9,600
Effect of Soil Salinity on Disease Resistance of Soybean	37,500		37,500
Controlling Volunteer Roundup Ready Canola with PRE Herbicides	4,175		4,175
Impact of Tillage System, Previous Fertility, and Previous Crop on Rhizobia, Nitrogen, & Prod(SBARE)	18,310		18,310
Maximizing Soil Warming and Health Under Different Tillage Practices	56,054		56,054
Soybean Responses to Conservation Tillage Practices Under Tile Drained Conditions	17,285		17,285
Field Demonstration of Different Insecticide Strategies for Mgmt of Soybean Aphids	20,125		20,125
Novel, High Performance Soybased Materials for Composites and Coatings	71,650		71,650
Increasing Awareness of Soybean Cyst Nematode in North Dakota	85,975		85,975
Seeding Date, Cultivar, and Location Influence on Soybean Performance and Phenology in ND	30,075		30,075
Commercial Evaluation of Novel Soy Based Resin in Wood Composites	33,240		33,240
Digital Imaging Technique to Detect and Count Aphids in Soybeans	24,595		24,595
Tom DeSutter-Improving Soil Health and Productivity of Sodic Soils	70,299		70,299
Soil Salinity Gradients Damage to Soybeans and Pest Infestations	73,299		73,299
Research and Extension Efforts at the SHARE Farm	66,373		66,373
Managing Current and Emerging Soybean Insect Pests in ND	12,355		12,355
Novel Soy Based Resin for Wood Composite Industry	16,392		16,392
How Soil Salinity Gradients Damage Soybeans	12,512		12,512
NDSGA Leadership Contract	30,000		30,000
NDSGA Expo Edition Magazine Contract	8,000		8,000
NDSGA Magazine Contract	160,000		160,000
NDSGA Soy Promotion Contract - Employee Vehicle Contract	15,000		15,000
NDSGA Promotion Advertising Agreement	30,000		30,000
<b>Total</b>	<b>\$ 1,605,505</b>		<b>\$ 1,605,505</b>



## Schedule of Activities – Actual and Budget

	Actual	June 30, 2015 Budget	Difference	June 30, 2014 Actual
<u>Revenues</u>				
Assessment revenues collected from 1st Purchasers	\$ 10,029,231		\$ 10,029,231	\$ 11,164,149
Less:				
Assessment revenue remitted to QSSB's	(341,648)		(341,648)	(442,082)
Assessment revenue remitted to USB	(4,635,947)		(4,635,947)	(4,894,477)
Net assessment revenues	<u>\$ 5,051,636</u>		<u>\$ 5,051,636</u>	<u>\$ 5,827,590</u>
Interest income	\$ 31,133		\$ 31,133	\$ 8,972
Miscellaneous revenue	10,672		10,672	29,502
Transfers from general fund	3,255		3,255	
Total revenues	<u>\$ 5,096,696</u>		<u>\$ 5,096,696</u>	<u>\$ 5,866,064</u>
<u>Expenditures</u>				
Program expenditures:				
Printing				\$ 11,009
Marketing	\$ 1,374,701	\$ 1,500,000	\$ (125,299)	1,024,731
Communications	901,692	1,100,000	(198,308)	651,604
Producer education				254,014
Research	1,887,279	2,100,000	(212,721)	1,488,751
Total program expenditures	<u>\$ 4,163,672</u>	<u>\$ 4,700,000</u>	<u>\$ (536,328)</u>	<u>\$ 3,430,109</u>
Administration	\$ 858,719	\$ 900,000	\$ (41,281)	\$ 806,070
Total expenditures	<u>\$ 5,022,391</u>	<u>\$ 5,600,000</u>	<u>\$ (577,609)</u>	<u>\$ 4,236,179</u>
Increase (Decrease) in Fund Balance	<u>\$ 74,305</u>	<u>\$ (5,600,000)</u>		<u>\$ 1,629,885</u>

## Responses to LAFRC Audit Questions

*The Legislative Audit and Fiscal Review Committee (LAFRC) requests that 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?*

There were no recommendations in the prior reports

- 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.*

None 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.*

None.

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 Capital Management System (HCM) are the most high-risk information technology systems critical to the North Dakota Soybean Council. No exceptions related to the operations of an information technology system were noted.



STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
FARGO BRANCH OFFICE  
4342 15<sup>th</sup> AVENUE SOUTH, SUITE 203  
FARGO, NORTH DAKOTA 58103

## Governance Communication

September 9, 2015

Legislative Audit and Fiscal Review Committee

North Dakota Soybean Council Board of Directors

We have audited the financial statements of the governmental activities and major fund of the North Dakota Soybean Council for the years ended June 30, 2015 and June 30, 2014, and have issued our report thereon dated September 9, 2015. 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 Soybean Council are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. 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.

### **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, 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 September 9, 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 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.

**Other Matters**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, and the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Legislative Audit and Fiscal Review Committee and the North Dakota Soybean Council Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Travis Klinkhammer, CPA  
Auditor In-Charge

You may obtain audit reports on the internet at:

[www.nd.gov/auditor/](http://www.nd.gov/auditor/)

or by contacting the  
Division of State Audit

Office of the State Auditor  
600 East Boulevard Avenue – Department 117  
Bismarck, ND 58505-0060