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County - Richland

**RICHLAND COUNTY SOIL CONSERVATION DISTRICT**  
**Wahpeton, North Dakota**

**AUDITED FINANCIAL STATEMENTS**  
**Year Ended December 31, 2018**

**RICHLAND COUNTY SOIL CONSERVATION DISTRICT**  
**Wahpeton, North Dakota**

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**December 31, 2018**

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**RICHLAND COUNTY SOIL CONSERVATION DISTRICT**  
**Wahpeton, North Dakota**

**OFFICIAL DIRECTORY**  
**December 31, 2018**

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Carson Klosterman	Chairman
Kelly Klosterman	Vice Chairman
Becky Myhra	Secretary/Treasurer
Mike Haverland	Supervisor
David Muehler	Supervisor
Chris Walberg	Supervisor
Becky Myhra	District Clerk
Anthony Potter	District Technician
Jennifer Klostreich	Watershed Coordinator



## INDEPENDENT AUDITOR'S REPORT

Board of Supervisors  
Richland County Soil Conservation District  
Wahpeton, North Dakota

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities and the major fund of the Richland County Soil Conservation District, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Richland County Soil Conservation District's basic financial statements as listed in the table of contents.

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

Richland County Soil Conservation District's 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 the Richland County Soil Conservation District, as of December 31, 2018 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule – general fund on pages 4 – 8 and 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

The official directory has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2019 on our consideration of Richland County Soil Conservation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Richland County Soil Conservation District's internal control over financial reporting and compliance.



Nadine Julson, LLC  
Wahpeton, ND  
July 31, 2019

**RICHLAND COUNTY SOIL CONSERVATION DISTRICT**  
**Wahpeton, North Dakota**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2018**

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The Management's Discussion and Analysis (MD&A) of Richland County Soil Conservation District financial performance provides an overall review of the District's financial activities for the year ended December 31, 2018, with comparative data for the year ended December 31, 2017.

The intent of the MD&A is to look at the District's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

**Financial Highlights**

Key financial highlights for the year ended December 31, 2018 are as follows:

- 319 Project – BMP paid – \$107,586
- 319 Antelope Creek Reimbursement – \$76,393
- Tree sales and services – \$75,464
- Ladies Ag Night – \$6,713
- Soil Assistant Program – \$19,458
- Grass Seed and Seeding – \$591

**Using this Annual Report**

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand Richland County Soil Conservation District as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's general fund with all other governmental funds presented in total in one column.

**Reporting on the District as a Whole**

*Statement of Net Position and Statement of Activities*

These statements are summaries of all the funds used by the Richland County Soil Conservation District to provide programs and activities and attempt to answer the question "How did the District do financially during the year ended December 31, 2018?"

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

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

**RICHLAND COUNTY SOIL CONSERVATION DISTRICT**  
**Management's Discussion and Analysis – Continued**

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These two statements report the District's net position and changes in net position. The change in net position is important because it tells the reader whether, for the District as a whole, the financial position of the District has improved or deteriorated. The causes of this change may be the result of many factors, some financial and some not. In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, tree services, information and education, and general administration services.

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

**Reporting on the District's Most Significant Funds**

*Balance Sheet - Governmental Funds*

The District uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and donations). The fund basic financial statements allow the District to demonstrate its stewardship over the accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the District's major funds. Using the criteria established by GASB Statement No. 34, the District's general fund is considered a "major fund." The District does not have any other governmental funds.

The basic governmental fund financial statements can be found on pages 11 – 14 of this report.

*Notes to 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 15 – 21 of this report.

**Financial Analysis of the District as a Whole**

Table I provides a summary of the District's net position as of December 31, 2018 and 2017. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Richland County Soil Conservation District, net position increased by \$12,641 for the year ending December 31, 2018.

The District's net position at December 31, 2018 is segregated into two separate categories. Net position invested in capital assets (net of related debt) are not available for future spending. The remaining unrestricted net position is available to meet the District's ongoing obligations.

**RICHLAND COUNTY SOIL CONSERVATION DISTRICT**  
**Management's Discussion and Analysis – Continued**

**Table I**  
Net Position  
June 30,

	2018	2017
<b>Assets</b>		
Current Assets	\$ 194,707	\$ 171,108
Capital Assets, (net of depreciation)	151,832	161,151
Total Assets	346,539	332,259
<b>Liabilities</b>		
Current Liabilities	1,273	1,098
Long-Term Liabilities	12,660	11,196
Total Liabilities	13,933	12,294
<b>Net Position</b>		
Net Investment in Capital Assets	151,832	161,151
Unrestricted	180,774	158,814
Total Net Position	\$ 332,606	\$ 319,965

Table II shows the changes in net position for the years ended December 31, 2018 and 2017.

**Table II**  
Changes in Net Position  
June 30,

	2018	2017
<b>Revenues</b>		
<b>Program Revenues</b>		
Charges for Services	\$ 81,957	\$ 63,876
Operating Grants and Contributions	213,052	188,069
<b>General Revenues</b>		
Property Taxes	91,065	99,367
Interest and Investment Earnings	376	300
Miscellaneous Income	400	1,035
Total Revenues	386,850	352,647
<b>Expenses</b>		
Tree Services	289,916	243,129
Information and Education	26,653	27,659
General Administration Services	57,640	54,401
Total Expenses	374,209	325,189
Change in Net Position	\$ 12,641	\$ 27,458

Charges for services made up 21%, operating grants and contributions 55%, and property taxes 24% of the total revenues of the governmental activities of the District for the year ended December 31, 2018.



**RICHLAND COUNTY SOIL CONSERVATION DISTRICT**  
**Management's Discussion and Analysis – Continued**

Tree service constituted 77%, information and education 7%, and general administration services 15% of the total expenses for the governmental activities for the year ended December 31, 2018.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table III shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and other unrestricted revenue.

**Table III**  
 Total and Net Cost of Services  
 June 30,

	Total Cost		Net Cost	
	2018	2017	2018	2017
Tree Services	\$ 289,916	\$ 243,129	\$ (5,454)	\$ (2,214)
Information and Education	26,653	27,659	(16,106)	(16,629)
General Administration Services	57,640	54,401	(57,640)	(54,401)
	<u>\$ 374,209</u>	<u>\$ 325,189</u>	<u>\$ (79,200)</u>	<u>\$ (73,244)</u>

**Financial Analysis of the Government's Funds**

The purpose of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unreserved fund balance generally can be used as a measure of the District's net resources available for spending as of the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting.

The District's governmental funds had total revenue of \$385,090 and expenditures of \$363,426 for the year ended December 31, 2018. The unassigned fund balance of the District's general fund was \$148,664.

**General Fund Budgetary Highlights**

During the year, revenues were more than budgetary estimates by \$53,740, expenditures were more than budgetary estimates by \$52,498 and ending fund balance was more than budgetary estimates by \$1,242.

Additional information on the Richland County Soil Conservation District budget can be found in Note 2 of the audited financial statements that follow this analysis.

**Capital Assets**

As of December 31, 2018, the Richland County Soil Conservation District had \$151,832 invested in capital assets. Table IV shows the balances at December 31, 2018 and 2017.

**Table IV**  
**Capital Assets**  
 (Net of Accumulated Depreciation)  
 June 30,

	2018	2017
Land	\$ 25,245	\$ 25,245
Buildings and Improvements	35,240	36,914
Vehicles	91,347	98,992
Total Capital Assets (net of accumulated depreciation)	<u>\$ 151,832</u>	<u>\$ 161,151</u>

**RICHLAND COUNTY SOIL CONSERVATION DISTRICT**  
**Management's Discussion and Analysis – Continued**

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This total represents a net decrease of \$9,319 from the prior year. For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 6 of the audited financial statements that follow this analysis.

**Debt Administration**

As of December 31, 2018, the Richland County Soil Conservation District did not have any debt.

**For the Future**

The District will continue to assist producers in Richland County with conservation practices that will continue to preserve and protect our soil and water. The District is in Phase IV of the 319 EPA program. The program will be assisting approximately 8-12 septic system replacement or repairs within a mile of the Bois de Sioux, Red, Wild Rice Rivers and Antelope Creek or within one mile of priority area on the hydrologic map. The District has also made available funds to cover well decommissioning and stream bank stabilizations. In addition, a grant was obtained by the District through the Outdoor Heritage Fund for assistance with riparian and stream bank stabilization in the Antelope Creek Watershed. A statewide Outdoor Heritage tree planting cost share program will be utilized to provide planting trees, laying fabric, and tree tubes at a 75/25 cost share.

**Contacting the Districts Financial Management**

This financial report is designed to provide our users, taxpayers and creditors with a general overview of the Richland County Soil Conservation District's finances and to show the District's accountability for the money it receives to provide the best possible conservation services. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Becky Myhra, District Clerk, Wahpeton, North Dakota 58075, (701) 642-5997.

**RICHLAND COUNTY SOIL CONSERVATION DISTRICT**  
**Wahpeton, North Dakota**

**STATEMENT OF NET POSITION**  
**December 31, 2018**

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ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 20,596
Savings	103,957
Due from County	25,384
Taxes Receivable	44,770
Total Current Assets	<u>194,707</u>
Capital Assets	
Land	25,245
Depreciable, net of accumulated depreciation	
Buildings and Improvements	35,240
Vehicles	91,347
Total Capital Assets	<u>151,832</u>
Total Assets	<u>346,539</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	<u>1,273</u>
Total Current Liabilities	1,273
Due After One Year	
Compensated Absences	<u>12,660</u>
Total Long-Term Liabilities	<u>12,660</u>
Total Liabilities	13,933
NET POSITION	
Net Investment in Capital Assets	151,832
Unrestricted	<u>180,774</u>
Total Net Position	<u>\$ 332,606</u>

See Notes to Financial Statements

**RICHLAND COUNTY SOIL CONSERVATION DISTRICT**  
**Wahpeton, North Dakota**

**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2018**

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Tree Services	\$ 289,916	\$ 79,071	\$ 205,391	\$ (5,454)
Information and Education	26,653	2,886	7,661	(16,106)
General Administration Services	57,640	-	-	(57,640)
	<u>\$ 374,209</u>	<u>\$ 81,957</u>	<u>\$ 213,052</u>	(79,200)
General Revenues				
Taxes				
				91,065
				376
				400
				<u>91,841</u>
Change in Net Position				
				12,641
Net Position, Beginning of Year				
				<u>319,965</u>
Net Position, End of Year				
				<u>\$ 332,606</u>

See Notes to Financial Statements

**RICHLAND COUNTY SOIL CONSERVATION DISTRICT**  
**Wahpeton, North Dakota**

**BALANCE SHEET – GOVERNMENTAL FUND**  
**December 31, 2018**

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	<u>General Fund</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 20,596
Savings	103,957
Due from County	25,384
Taxes Receivable	44,770
Total Assets	<u>\$ 194,707</u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 1,273
Total Liabilities	1,273
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable Revenue - Property Taxes	44,770
Total Deferred Inflows of Resources	44,770
<b>FUND BALANCE</b>	
Unassigned	148,664
Total Fund Balance	<u>148,664</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 194,707</u>

See Notes to Financial Statements

**RICHLAND COUNTY SOIL CONSERVATION DISTRICT**  
**Wahpeton, North Dakota**

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION**  
**December 31, 2018**

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Total Fund Balance - Governmental Fund		\$	148,664
Total net position reported for governmental activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the governmental fund.			
Cost of Capital Assets	199,393		
Less Accumulated Depreciation	<u>(47,561)</u>		
Net Capital Assets			151,832
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 revenue in the fund.			
			44,770
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as expenditures when due. All liabilities, both current and long-term are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.			
Compensated Absences			<u>(12,660)</u>
Net Assets of Governmental Activities in the Statement of Net Assets		\$	<u>332,606</u>

See Notes to Financial Statements

**RICHLAND COUNTY SOIL CONSERVATION DISTRICT**  
**Wahpeton, North Dakota**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND**  
**Year Ended December 31, 2018**

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	<u>General Fund</u>
REVENUES	
Local Sources	\$ 364,856
Federal Sources	19,458
Interest Income	376
Miscellaneous Income	400
	<hr/>
Total Revenues	385,090
EXPENDITURES	
Current	
Tree Services	279,319
Information and Education	26,560
General Administration Services	57,547
	<hr/>
Total Expenditures	363,426
Excess of Revenues over Expenditures	21,664
FUND BALANCE, BEGINNING OF YEAR	<hr/> 127,000
FUND BALANCE, END OF YEAR	<hr/> <hr/> \$ 148,664

See Notes to Financial Statements

**RICHLAND COUNTY SOIL CONSERVATION DISTRICT**  
**Wahpeton, North Dakota**

**RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2018**

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Net Change in Fund Balance - Total Governmental Fund	\$ 21,664
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets with a cost greater than \$5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year.	(9,319)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.	
Net Increase in Compensated Absences	(1,464)
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 an increase in taxes receivable.	<u>1,760</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 12,641</u></u>

See Notes to Financial Statements



**RICHLAND COUNTY SOIL CONSERVATION DISTRICT**  
**Wahpeton, North Dakota**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

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

The financial statements of the Richland County Soil Conservation District, Wahpeton, North Dakota (the District) have been prepared in accordance with accounting principles generally accepted in the United States of America 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.

**Reporting Entity**

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

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

**Basis of Presentation, Basis of Accounting**

Government-wide Statements - The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made, when applicable, to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, fees and other non-exchange transactions. The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements - The fund financial statements provide reports on the financial condition and results of operations for the one governmental fund. The emphasis is on the major governmental fund. The general fund is the District's major fund that accounts for all financial resources of the general government.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Government Fund Financial Statements - Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end.

**RICHLAND COUNTY SOIL CONSERVATION DISTRICT**  
**Notes to Financial Statements - Continued**

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All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

**Cash and Cash Equivalents**

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

**Capital Assets**

Capital assets include land, building and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

<u>Assets</u>	<u>Years</u>
Building	50
Vehicles	8
Office equipment	5
Other equipment	15

**Vacation Pay, Sick Pay, Severance**

The expenditures for vacation pay are recognized when payment is made on the governmental fund financial statements. Employees are not allowed to carryover more than two hundred forty hours of vacation hours. Unless the employees have been there ten years, the employees are not compensated for unused sick pay or severance pay upon termination. If the employees are eligible, they will receive 10% of their unused sick pay.

**Fund Balances and Net Position**

GASB Statement No. 54 established new fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restriction or limitations) imposed upon the use of the resources reported in governmental funds.

*Fund Balance Spending Policy:*

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

**RICHLAND COUNTY SOIL CONSERVATION DISTRICT**  
**Notes to Financial Statements - Continued**

*GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions*

GASB Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions” provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints and the purpose for which resources can be used:

CLASSIFICATION	DEFINITION	EXAMPLES
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables, endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Supervisors. Formal action is required to be taken to establish, modify, or rescind a fund balance commitment.	By board action, construction claims and judgements, retirements of loans and notes payable, capital expenditures, and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the district clerk.	By district clerk, construction claims and judgements, retirements of loans and notes payable, capital expenditures, and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is a fund balance that has not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.	Available for any remaining general fund expenditure.

The Richland County Soil Conservation District has unassigned balances at December 31, 2018.

**RICHLAND COUNTY SOIL CONSERVATION DISTRICT**  
**Notes to Financial Statements - Continued**

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*Net Position*

Richland County Soil Conservation District implemented the provisions of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position during the year ended June 30, 2013.

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

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

Restrictions of net position, shown in the Statement of Net Position, are due to restricted tax levies and bond indenture capital construction requirements for capital projects and special purposes. Unrestricted net position is primarily unrestricted amounts related to the general fund and any negative fund balances. The unrestricted net position is available to meet the District's ongoing obligations.

**NOTE 2 - LEGAL COMPLIANCE - BUDGETS**

Expenditures over Appropriations – The general fund expenditures exceeded appropriations by \$52,498. Additional revenue from local sources allowed for additional funds to be used for tree services than budgeted amounts.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

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

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

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the State of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board. At year end December 31, 2018, the District's carrying amounts of deposits were \$124,553 and the bank balances were \$127,370. All bank balances were covered by Federal Depository Insurance.

*Credit Risk:*

The District may invest idle funds as authorized in North Dakota Statutes, as follows:

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

As of December 31, 2018, the District held no certificates of deposit.

**RICHLAND COUNTY SOIL CONSERVATION DISTRICT**  
**Notes to Financial Statements - Continued**

*Interest Rate Risk:*

The District does not have a formal deposit policy that limits maturities as a means of managing exposure to fair-value losses arising from increasing interest rates.

*Concentration of Credit Risk:*

The District does not have a limit on the amount it may invest in any one issuer.

**NOTE 4 - TAXES RECEIVABLE**

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

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

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

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

**NOTE 5 - DUE FROM COUNTY**

Due from county represents the amount of taxes collected prior to year-end that are distributed to the District shortly after December 31, 2018.

**NOTE 6 - CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended December 31, 2018.

	Balance January 1, 2018	Additions	Retirements	Balance December 31, 2018
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$ 25,245	\$ -	\$ -	\$ 25,245
Total Capital Assets, not being depreciated	25,245	-	-	25,245
Capital Assets, being depreciated				
Buildings and Improvements	51,175	-	-	51,175
Vehicles	122,973	-	-	122,973
Total Capital Assets, being depreciated	174,148	-	-	174,148
Less Accumulated Depreciation				
Buildings and Improvements	14,261	1,674	-	15,935
Vehicles	23,981	7,645	-	31,626
Total Accumulated Depreciation	38,242	9,319	-	47,561
Total Capital Assets Being Depreciated, net	135,906	(9,319)	-	126,587
Governmental Activities Capital Assets, net	<u>\$ 161,151</u>	<u>\$ (9,319)</u>	<u>\$ -</u>	<u>\$ 151,832</u>

**RICHLAND COUNTY SOIL CONSERVATION DISTRICT**  
**Notes to Financial Statements - Continued**

Depreciation expense was charged to functions/programs of the District as follows:

<u>Governmental Activities</u>	
Tree Services	\$ 9,133
Information and Education	93
General Administration Services	<u>93</u>
Total	<u><u>\$ 9,319</u></u>

**NOTE 7 - LONG-TERM LIABILITIES**

	<u>Balance January 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2018</u>
Compensated Absences*	\$ 11,196	\$ 1,464	\$ -	\$ 12,660
Total	<u>\$ 11,196</u>	<u>\$ 1,464</u>	<u>\$ -</u>	<u>\$ 12,660</u>

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

**NOTE 8 - ACCOUNTS PAYABLE**

Accounts payable consists of amounts owed for goods and services received prior to or owed to taxing authorities at December 31, 2018 and chargeable to the appropriations for the year then ended, but paid subsequent to that date.

**NOTE 9 - DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources in the fund financial statements consist of amounts for which asset recognition criteria have been met. Under the modified accrual basis of accounting, such amounts are measurable but not available and include taxes receivable of \$44,770.

**NOTE 10 - RETIREMENT PLAN**

The District established a SIMPLE-IRA retirement plan. The District makes a 3% matching contribution for employees who elect to participate in the plan. The costs to the District for the years ending December 31, 2018 and 2017 were \$2,922 and \$3,453.

**NOTE 11 - RISK MANAGEMENT**

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District pays an annual premium to NDIRF for its general liability, auto and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$1,000,000 per occurrence for general liability, \$300,000 for auto coverage, and \$58,900 for public assets coverage.

**RICHLAND COUNTY SOIL CONSERVATION DISTRICT**  
**Notes to Financial Statements - Continued**

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The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$2,000,000 per occurrence during a twelve-month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$152,640 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The District participates in the North Dakota Workforce Safety & Insurance and purchases commercial insurance for employee health and boiler and machinery insurance. Settled claims resulting from these above risks have not exceeded insurance coverage in any of the past three fiscal years.

The District has elected to be self-insured and retain all risk for liabilities resulting from claims of unemployment benefits. During the year ended December 31, 2018, no claims were filed for unemployment benefits.

**NOTE 12 – SUBSEQUENT EVENTS**

The District has evaluated subsequent events through July 31, 2019, the date on which the financial statements were available to be issued.

**RICHLAND COUNTY SOIL CONSERVATION DISTRICT**  
**Wahpeton, North Dakota**

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
**Year Ended December 31, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Local Sources	\$ 316,050	\$ 316,050	\$ 364,856	\$ 48,806
Federal Sources	15,000	15,000	19,458	4,458
Interest Income	100	100	376	276
Miscellaneous Income	200	200	400	200
Total Revenues	331,350	331,350	385,090	53,740
<b>EXPENDITURES</b>				
Current				
Tree Services	228,023	228,023	279,319	(51,296)
Information and Education	24,300	24,300	26,560	(2,260)
General Administration Services	57,605	57,605	57,547	58
Facilities Acquisition and Construction	1,000	1,000	-	1,000
Total Expenditures	310,928	310,928	363,426	(52,498)
Excess of Revenues over Expenditures	20,422	20,422	21,664	1,242
FUND BALANCE, BEGINNING OF YEAR			127,000	
FUND BALANCE, END OF YEAR			\$ 148,664	



**RICHLAND COUNTY SOIL CONSERVATION DISTRICT**  
**Wahpeton, North Dakota**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2018**

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

**Budgetary Information**

The Board of Supervisors adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States for the general fund.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- The annual budget must be prepared, and district taxes must be levied on or before the fifteenth day of August of each year.
- The taxes levied must be certified to the county auditor by August 25.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the district clerk at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- All appropriations lapse at year-end.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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Board of Supervisors  
Richland County Soil Conservation District  
Wahpeton, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to finance 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 the Richland County Soil Conservation District, Wahpeton, North Dakota as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Richland County Soil Conservation District's basic financial statements, and have issued our report thereon dated July 31, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Richland County Soil Conservation District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Richland County Soil Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses (2018-001 and 2018-002).

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Richland County Soil Conservation District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

## **District's Response to Findings**

Richland County Soil Conservation District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Richland County Soil Conservation District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Nadine Julson, LLC  
Wahpeton, ND  
July 31, 2019

**RICHLAND COUNTY SOIL CONSERVATION DISTRICT**  
**Wahpeton, North Dakota**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year ended December 31, 2018**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

Type of Report Issued:

Governmental Activities	Unmodified
Major Governmental Funds	Unmodified

Internal Control Over Financial Reporting

Material weakness identified?	<u>          X          </u>	Yes	<u>                          </u>	No
Significant deficiencies identified not considered to be material weaknesses?	<u>                          </u>	Yes	<u>          X          </u>	None reported
Noncompliance material to financial statements noted?	<u>                          </u>	Yes	<u>          X          </u>	No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

*2018-001 LACK OF SEGREGATION OF DUTIES*

**Criteria**

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

**Condition**

As part of obtaining reasonable assurance about whether Richland County Soil Conservation District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

**Effect**

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the District's financial condition whether due to error or fraud.

**Recommendation**

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

**Views of Responsible Officials**

There is no disagreement with the audit finding and the board understands that this will be a repeated recommendation due to the limited number of staff employed by the District.

**RICHLAND COUNTY SOIL CONSERVATION DISTRICT**  
**Schedule of Findings and Questioned Costs – Continued**

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*2018-002 MATERIAL JOURNAL ENTRIES*

**Criteria**

A good system of internal accounting control contemplates an adequate system for the preparation of the financial statements, including recording government wide journal entries in order to reconcile from the fund financials to the government wide financials and ensuring all general ledger accounts are properly reflected on a GAAP basis.

**Condition**

The District does not have an internal control system designed to provide for the preparation of the financial statements being audited, including recording government wide journal entries. As auditors, we were requested to draft the financial statements, which include proposing government wide journal entries, and drafting the accompanying notes to the financial statements.

**Effect**

Inadequate controls over financial reporting of the District results in more than a remote likelihood that the District would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

**Recommendation**

It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

**Views of Responsible Officials**

There is no disagreement with the audit finding and the board understands that this will be a repeated recommendation due to the limited amount of resources at the District.