

**WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
WILLISTON, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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**WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
WILLISTON, ND**

OFFICIALS

At December 31, 2018

Bruce Brogger	Chairman
TJ Halverson	Vice-Chairman
Blake Wheeler	Member
Ryan Davidson	Member
Donald O. Anderson	Member

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Williams County Soil Conservation District
Williston, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the Williams County Soil Conservation District, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise Williams County Soil Conservation District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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.

Basis for Qualified Opinions on Governmental Activities and General Fund

Management has not kept an adequate listing of inventory and the amount of inventory on hand is unable to be determined. Accounting principles generally accepted in the United States of America require substantiation of the individual items and costs to be included in inventory at year end. The amount by which this departure would affect the assets, fund balance and expenses has not been determined.

Qualified Opinions

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities and General Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund information of the Williams County Soil Conservation District as of December 31, 2018 and 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in notes 1 and 6 to the financial statements, Williams County Soil Conservation District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinions are 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, Schedule of Employer's Share of OPEB Liability, Schedule of Employer's Contributions - Pension, Schedule of Employer's Contributions - OPEB, and Notes to the Required Supplementary Information, as listed in the table of contents 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.

Management has omitted the management's discussion and analysis and budgetary comparison schedule 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.

The roster of district officials 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 February 8, 2021 on our consideration of Williams 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 solely 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 the effectiveness of the District's 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 Williams County Soil Conservation District's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P. C.
MINOT, NORTH DAKOTA**

February 8, 2021

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2018 AND 2017

ASSETS		
Current assets	2018	2017
Cash and cash equivalents	\$ 278,420	\$ 134,250
Certificates of deposit	142,729	142,468
Accounts receivable	13,572	271
Total current assets	<u>434,721</u>	<u>276,989</u>
Other assets		
Capital assets (net of accumulated depreciation)	856,621	807,942
Capital credits	10,782	10,668
Total other assets	<u>867,403</u>	<u>818,610</u>
Total assets	<u>1,302,124</u>	<u>1,095,599</u>
DEFERRED OUTFLOWS		
Deferred outflow - pension	112,812	44,670
Deferred outflow - OPEB pension	4,385	-
Total deferred outflow of resources	<u>117,197</u>	<u>44,670</u>
LIABILITIES		
Current liabilities		
Payroll liabilities	3,154	2,869
Accrued vacation	4,108	2,550
Sales tax payable	815	455
Deferred revenue	1,069	3,168
Total current liabilities	<u>9,146</u>	<u>9,042</u>
Noncurrent liabilities		
Net pension liability	171,748	78,132
Net OPEB liability	7,525	-
Total noncurrent liabilities	<u>179,273</u>	<u>78,132</u>
Total liabilities	<u>188,419</u>	<u>87,174</u>
DEFERRED INFLOWS		
Deferred inflow - pension	11,366	5,510
Deferred inflow - OPEB pension	330	-
Total deferred inflow of resources	<u>11,696</u>	<u>5,510</u>
NET POSITION		
Net investment in capital assets	856,621	807,942
Unrestricted	<u>362,585</u>	<u>239,643</u>
Total net position	<u>\$ 1,219,206</u>	<u>\$ 1,047,585</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<u>Governmental Activities:</u>				<u>Governmental Activities</u>
Conservation of natural resources	\$ 524,041	\$ 295,417	\$ 3,914	\$ (224,710)
General Revenues:				
Taxes:				
Mill levy				391,634
Interest and dividend revenue				611
Miscellaneous revenue				4,086
Total general revenues				396,331
Change in net position				171,621
Net position - January 1, 2018				1,047,585
Net position - December 31, 2018				\$ 1,219,206

SEE NOTES TO THE FINANCIAL STATEMENTS

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<u>Governmental Activities:</u>				<u>Governmental Activities</u>
Conservation of natural resources	\$ 283,486	\$ 172,494	\$ 9,221	\$ (101,771)
General Revenues:				
Taxes:				
Mill levy				378,548
Interest and dividend revenue				1,297
Gain on sale of asset				58,929
Miscellaneous revenue				2,620
Total general revenues				<u>441,394</u>
Change in net position				339,623
Net position - January 1, 2017				<u>707,962</u>
Net position - December 31, 2017				<u>\$ 1,047,585</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
BALANCE SHEETS – GOVERNMENTAL FUNDS
DECEMBER 31, 2018 AND 2017

ASSETS	<u>2018</u>	<u>2017</u>
Cash	\$ 278,420	\$ 134,250
Certificates of deposit	142,729	142,468
Accounts receivable	13,572	271
Total assets	<u>\$ 434,721</u>	<u>\$ 276,989</u>
 LIABILITIES		
Accounts payable		
Payroll liabilities	\$ 3,154	\$ 2,869
Sales tax payable	815	455
Deferred revenue	1,069	3,168
Total liabilities	<u>5,038</u>	<u>6,492</u>
 FUND BALANCE		
Fund balance		
Unassigned	<u>429,683</u>	<u>270,497</u>
Total fund balance	<u>429,683</u>	<u>270,497</u>
 Total liabilities and fund balance	<u>\$ 434,721</u>	<u>\$ 276,989</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
RECONCILIATION OF BALANCE SHEETS – GOVERNMENTAL FUNDS
TO THE STATEMENTS OF NET POSITION
DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Total Governmental Funds Balance	\$ 429,683	\$ 270,497
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 therefore are not reported in the funds.		
Cost of capital assets	1,064,286	947,160
Less accumulated depreciation	<u>207,665</u>	<u>139,218</u>
Net capital assets	856,621	807,942
Capital credits used in governmental activities are not financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		
	10,782	10,668
Net deferred outflows/(inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities that are not financial resources in the governmental funds.		
Cost sharing defined benefit plan deferred inflow - pension	(11,366)	(5,510)
Cost sharing defined benefit plan deferred outflow - pension	112,812	44,670
Cost sharing defined benefit plan deferred inflow - OPEB	(330)	-
Cost sharing defined benefit plan deferred outflow - OPEB	4,385	-
Certain long-term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
Net pension liability	(171,748)	(78,132)
Net OPEB liability	(7,525)	-
Certain short-term liabilities are not recognized as an expenditure in the governmental funds until they are due. All liabilities both current and long-term are reported in the Statement of Net Position.		
	<u>(4,108)</u>	<u>(2,550)</u>
Net Position of Governmental Activities	<u>\$ 1,219,206</u>	<u>\$ 1,047,585</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES- GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

<u>Revenue:</u>	<u>2018</u>	<u>2017</u>
Tree sales	\$ 43,280	\$ 26,602
Miscellaneous	4,087	2,620
Tree house income	136,004	76,668
County mill levy	391,634	378,548
Reimbursements	3,714	9,021
Service income	116,133	69,224
Interest and dividend income	497	704
Donation income	200	200
Proceeds from sale of capital assets		157,078
Total revenues	<u>695,549</u>	<u>720,665</u>
<u>Expenditures:</u>		
Current		
Advertising	752	1,505
Meeting	6,681	5,429
Projects	2,938	-
Salaries & wages	151,713	110,740
Insurance	3,804	4,258
Educational & awards	3,890	113
Dues	2,625	4,075
Contract labor	1,258	-
Banquets	2,662	5,003
Office	1,343	774
Payroll taxes	13,627	9,305
Professional fees	1,089	1,374
Trees & fabric	121,567	54,968
Repair & maintenance	4,709	3,917
Donations	226	379
Equipment rental	16,386	4,520
Utilities	10,240	1,976
Tree shed supplies	38,099	9,529
Retirement	15,518	7,971
Eco-ed	3,024	3,216
District cost share	13,725	-
Postage	3,361	3,319
Total current expenditures	<u>419,237</u>	<u>232,371</u>
Capital outlay	<u>117,126</u>	<u>593,648</u>
Total expenditures	<u>536,363</u>	<u>826,019</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	<u>159,186</u>	<u>(105,354)</u>
Fund balance - January 1	<u>270,497</u>	<u>375,851</u>
Fund balance - December 31	<u>\$ 429,683</u>	<u>\$ 270,497</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
RECONCILIATION OF STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
TO THE STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Net Change in Fund Balances - Total Governmental Funds	\$ 159,187	\$ (105,354)
The change in net position reported for governmental activities in the statement of activities is different because:		
Amounts of capital asset purchases are reported as expenditures on the fund financial statements but increase assets on the government wide statements. The amount of capital asset purchases is:	117,126	593,648
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds. The amount of depreciation expense for the current year is:	(68,447)	(41,335)
Capital credits	114	594
Governmental funds report the entire net sales price from the sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold by:	-	(98,149)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:		
Net change in accrued vacation	(1,558)	(482)
Net change in net pension liability	(93,616)	(35,201)
Net change in OPEB liability	(7,525)	-
Changes in cost sharing defined benefit plan relating to net pension liability	(5,856)	1,520
Changes in cost sharing defined benefit plan relating to net pension liability	68,141	24,382
Changes in cost sharing defined benefit plan relating to OPEB liability	(330)	-
Changes in cost sharing defined benefit plan relating to OPEB liability	<u>4,385</u>	<u>-</u>
Total Change in Net Position of Governmental Activities	<u>\$ 171,621</u>	<u>\$ 339,623</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Williams County Soil Conservation District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for the establishing governmental and financial reporting principles.

The more significant of the government's accounting policies are described below.

Nature of operations and history

Williams County Soil Conservation District provides information and education about soil conservation in Williams county. This is done through seminars and pamphlets. The District also sells trees and shrubs at a very low cost to promote soil conservation. The primary use of the trees is to provide shelter belts in rural areas.

Financial reporting entity

The accompanying financial statements present the activities of the Williams 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 are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the District.

Based on the above criteria, the District has no component units included in its report.

Basis of presentation

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

The statements of activities present 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, fines 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 information about the District's funds. The emphasis of fund financial statements is on the major governmental fund.

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018 AND 2017

The District reports the following major governmental fund:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the general government.

Measurement focus / Basis of accounting

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 when a liability is incurred, regardless of the timing of related cash flows. 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. Revenue from grants, entitlements, and donations is recognized when they are received.

Governmental 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 received. Expenditures are recorded when payment is made, except for principal and interest on general long-term debt, and claims and judgments, 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 position 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 all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents, except for certificates of deposits which are considered cash equivalents regardless of their term since there is no loss of principal for early withdrawal, and reserve funds which are considered noncash equivalents regardless of the maturity terms.

Accounts receivable

Accounts receivable are carried at original invoice amount.

Tree sales

Tree sales represents a payment from the District's customers for preordered or on-the-spot tree sales. The District will recognize this revenue once the customer receives their trees.

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018 AND 2017

Capital assets

Capital assets are recorded at historical costs less accumulated depreciation. A portion of the cost of the capital assets is charged against earnings each year as depreciation expense. Depreciation is computed on an accelerated basis, over the estimated useful life of the asset. The District does not have a set capitalization policy and capitalizes all fixed assets with lives over one year. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

The District has established the following useful lives:

Office Equipment	5 years
Equipment and Vehicles	5 to 7 years
Buildings	39 years

Accrued vacation

Eligible full-time regular employees are eligible for accrued leave. Leave is accrued based on the length of employment. If an employee has been employed for 0-3 years, 4 hours per pay period will be accrued, employed for 3-15 years, 6 hours per period will be accrued, and employees that have been employed for greater than 15 calendar years, 8 hours per pay period will be accrued. Full-time regular employees may accrue no more than 240 hours. Upon termination, retirement, or death, employees will be paid based on current salary to eligible employees at time of termination.

Fund balance classifications

In the fund financial statements, governments fund report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – These amounts can be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Board of Supervisors – the District's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Board of Supervisors removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018 AND 2017

Assigned – This classification reflects the amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board of Supervisors has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned – this fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the District's preference is to first use restricted resources, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

The District does not have a minimum fund balance policy.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item reported on the statement of net position as deferred outflows - pension, which represents the actuarial differences within the NDPERS plan as well as amounts paid to the plan after the measurement date. See Note 5 for further details.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period (s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item which qualifies for reporting in this category. This item is reported on the statement of net position as deferred inflows - pension, which represents the actuarial differences within the NDPERS pension. See Note 5 for further details.

Other Post Employment Benefits (OPEB)

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

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018 AND 2017

Net pension liability

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

Net position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Net position flow assumption

Sometimes, the government will fund capital outlays for particular purposes for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Use of estimates

The preparation of financial statements in conformity with the modified cash basis of accounting used by the District requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent asset and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Implementation of New Accounting Principle

The District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* during the year ended December 31, 2018. GASB Statement No. 75 addresses accounting and financial reporting for OPEB that is provided to state and local government employers. This statement established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense related to OPEB. In addition, for defined benefit plans, this statement identifies the methods and assumptions that should be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018 AND 2017

NOTE 2 CUSTODIAL CREDIT RISK

The District maintains cash deposits at one financial institution. The amounts on deposit were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. As of December 31, 2018, the District had deposits in excess of FDIC insurance of approximately \$186,000.

NOTE 3 PROPERTY TAXES

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

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments and the second installment is the balance of the real estate taxes. The first installment is due 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 received the discount on the property taxes.

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018 AND 2017

NOTE 4 CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended December 31, 2018 and 2017:

	Balance 1/1/2018	Additions	Disposals	Balance 12/31/2018
Capital assets, being depreciated:				
Office Equipment	\$ 750	\$ -	\$ -	\$ 750
Equipment	267,443	64,792	-	332,235
Buildings	678,967	52,334	-	731,301
Total	<u>947,160</u>	<u>117,126</u>	<u>-</u>	<u>1,064,286</u>
Less accumulated depreciation for:				
Office Equipment	750	-	-	750
Equipment	128,547	50,702	-	179,249
Buildings	9,921	17,745	-	27,666
Total	<u>139,218</u>	<u>68,447</u>	<u>-</u>	<u>207,665</u>
Total capital assets being depreciated, net	<u>807,942</u>	<u>48,679</u>	<u>-</u>	<u>856,621</u>
Capital assets, net	<u>\$ 807,942</u>	<u>\$ 48,679</u>	<u>\$ -</u>	<u>\$ 856,621</u>
	Balance 1/1/2017	Additions	Disposals	Balance 12/31/2017
Capital assets, not being depreciated:				
Land	\$ 9,037	\$ -	\$ 9,037	\$ -
Construction in progress	224,944	-	224,944	-
Total	<u>233,981</u>	<u>-</u>	<u>233,981</u>	<u>-</u>
Capital assets, being depreciated:				
Office Equipment	750	-	-	750
Equipment	127,818	139,625	-	267,443
Buildings	111,359	678,967	111,359	678,967
Total	<u>239,927</u>	<u>818,592</u>	<u>111,359</u>	<u>947,160</u>
Less accumulated depreciation for:				
Office Equipment	697	53	-	750
Equipment	98,983	29,564	-	128,547
Buildings	20,450	11,718	22,247	9,921
Total	<u>120,130</u>	<u>41,335</u>	<u>22,247</u>	<u>139,218</u>
Total capital assets being depreciated, net	<u>119,797</u>	<u>777,257</u>	<u>89,112</u>	<u>807,942</u>
Capital assets, net	<u>\$ 353,778</u>	<u>\$ 777,257</u>	<u>\$ 323,093</u>	<u>\$ 807,942</u>

Depreciation expense was \$68,447 and \$41,335, respectively, for the years ended December 31, 2018 and 2017.

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018 AND 2017

NOTE 5 PENSION PLAN

2018

North Dakota Public Employees Retirement System (Main System)

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine 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; one member elected by the retired public employees; and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions 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). For members hired on or after January 1, 2016, the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

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

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018 AND 2017

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 for disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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 24 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

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

At December 31, 2018, the District reported a liability of \$171,748 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer'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, 2018, the Employer's proportion was 0.010177 percent, which was an increase of 0.005316 percent from its proportion measured as of June 30, 2017.

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018 AND 2017

For the year ended December 31, 2018, the District recognized pension expense of \$38,500. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 455	\$ (5,843)
Changes of assumptions	61,997	(2,451)
Net difference between projected and actual earnings on pension plan investments	-	(836)
Changes in proportion and differences between employer contributions and proportionate share of contributions	46,758	(2,236)
Employer contributions subsequent to the measurement date	3,602	-
Total	<u>\$ 112,812</u>	<u>\$ (11,366)</u>

\$3,602 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 ending December 31, 2019.

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 ending June 30:	
2019	\$ 27,844
2020	25,582
2021	23,812
2022	16,467
2023	4,139

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018 AND 2017

Actuarial assumptions. The total pension liability in the July 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Service at Beginning of Year: Increase Rate:
	0 15.00%
	1 10.00%
	2 8.00%
	Age*
	Under 30 10.00%
	30-39 7.50%
	40-49 6.75%
	50-59 6.50%
	60+ 5.25%

*Age-based salary increase rates apply for employees with three or more years of service

Investment rate of return	7.75%
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 set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

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	30%	6.05%
International Equity	21%	6.71%
Private Equity	7%	10.20%
Domestic Fixed Income	23%	1.45%
Global Real Assets	19%	5.11%
Cash Equivalents	0%	0.00%

Discount rate. For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018 AND 2017

years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.62%; and the resulting Single Discount Rate is 6.32%.

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 6.32 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.32 percent) or 1-percentage-point higher (7.32 percent) than the current rate:

	1% Decrease (5.32%)	Current Discount Rate (6.32%)	1% Increase (7.32%)
Employer's proportionate share of the net pension liability	<u>\$ 233,374</u>	<u>\$ 171,748</u>	<u>\$ 120,323</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report. Requests to obtain or review this report should be addressed to the Executive Director – NDPERS, P.O. Box 1657, Bismarck, North Dakota 58502-1657.

Payables to the pension plan

No amount was payable to the pension plan at fiscal year-end.

2017

North Dakota Public Employees Retirement System (Main System)

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

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

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018 AND 2017

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine 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; one member elected by the retired public employees; and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions 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). For members hired on or after January 1, 2016, the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

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

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

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
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DECEMBER 31, 2018 AND 2017

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.

Member and Employer Contributions

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

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 24 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

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

At December 31, 2017, the District reported a liability of \$78,132 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer'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, 2017, the Employer's proportion was 0.004861 percent, which was an increase of 0.000456 percent from its proportion measured as of June 30, 2016.

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018 AND 2017

For the year ended December 31, 2017, the District recognized pension expense of \$13,004. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 464	\$ (381)
Changes of assumptions	32,039	(1,762)
Net difference between projected and actual earnings on pension plan investments	1,051	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,265	(3,367)
Employer contributions subsequent to the measurement date	1,851	-
Total	<u>\$ 44,670</u>	<u>\$ (5,510)</u>

There is \$1,851 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 ending December 31, 2018.

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 ending June 30:

2018	\$ 7,988
2019	9,430
2020	8,363
2021	7,970
2022	3,558

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018 AND 2017

Actuarial assumptions. The total pension liability in the July 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 2.50%
 Salary increases Service at Beginning of Year: Increase Rate:

0	15.00%
1	10.00%
2	8.00%
Age*	
Under 36	8.00%
36-40	7.50%
41-49	6.00%
50+	5.00%

*Age-based salary increase rates apply for employees with three or more years of service

Investment rate of return 7.75%
 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 set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

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%	6.05%
International Equity	21%	6.70%
Private Equity	5%	10.20%
Domestic Fixed Income	17%	1.43%
International Fixed Income	5%	-0.45%
Global Real Assets	20%	5.16%
Cash Equivalents	1%	0.00%

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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Discount rate. For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

The pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.56%; and the resulting Single Discount Rate is 6.44%.

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 6.32 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.32 percent) or 1-percentage-point higher (7.32 percent) than the current rate:

	1% Decrease (5.44%)	Current Discount Rate (6.44%)	1% Increase (7.44%)
Employer's proportionate share of the net pension liability	\$ 106,067	\$ 78,132	\$ 54,892

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report. Requests to obtain or review this report should be addressed to the Executive Director – NDPERS, P.O. Box 1657, Bismarck, North Dakota 58502-1657.

Payables to the pension plan

No amount was payable to the pension plan at fiscal year-end.

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018 AND 2017

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN

2018

North Dakota Public Employees Retirement System

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving the retirement benefits from the PERS, the HPRS, and Judges retired under premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision, and long-term care plan and any other health insurance plan. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration for NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine 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; one member elected by the retired public employees; and two members of the legislative assembly appointed by the chairman of the legislative management.

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018 AND 2017

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2018, the District reported a liability of \$7,525 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of July 1, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At December 31, 2018, the District's proportion was 0.009555% percent.

At December 31, 2018, the Employer recognized OPEB expense of \$1,398. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 226	\$ (155)
Changes of assumptions	617	-
Net difference between projected and actual earnings on pension plan investments	-	(162)
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,965	(13)
Employer contributions subsequent to the measurement date	577	-
Total	<u>\$ 4,385</u>	<u>\$ (330)</u>

There is \$577 reported as deferred outflows of resources related to OPEB resulting from District contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the total pension liability in the year ending December 31, 2019.

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018 AND 2017

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

Year ending December 31:	
2019	\$ 532
2020	532
2021	532
2022	604
2023	591
Thereafter	687

Actuarial Assumptions

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary Increase	Not Applicable
Investment Rate of Return	7.50%, net of investment expenses

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC 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. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	37%	7.15%
Small Cap Domestic Equities	9%	14.42%
International Equities	14%	8.83%
Core-Plus Fixed Income	40%	0.10%

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018 AND 2017

Discount Rate

The discount rate used to measure the total OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018 actuarial valuation report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plans as of December 31, 2018, calculated using the discount rate of 7.5%, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent) or one percentage point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Employer's proportionate share of the net OPEB liability	\$ 9,521	\$ 7,525	\$ 5,814

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued NDPERS financial report. Requests to obtain or review this report should be addressed to the Executive Director – NDPERS, P.O. Box 1657, Bismarck, North Dakota, 58502-1657.

NOTE 7 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (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, automobile and equipment insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability.

The State Bonding Fund currently provides the District with blanket fidelity bond coverage in the amount of \$145,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018 AND 2017

The District has worker's compensation with the Department of Workforce Safety and Insurance. The District will pay the equivalent of a single person for the coverage of medical insurance. The employee is responsible for the difference if family coverage is needed.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 8 NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement is effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018 AND 2017

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 90, *Majority Equity Interests*, provides guidance for reporting when a government has majority equity interest in legally separate organizations. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. If government's holding of that equity interest meets the definition of an investment, as defined by GASB No. 72, the equity interest should be reported as an investment and measured using the equity method and not as a component unit of the government. If a government's holding of a majority interest in a legally separate organization does not meet the definition of an investment, the holding of the majority equity interest results in the government being financially accountable for the organization and therefore, the government should report the legally separate organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

Management has not yet determined what effect these statements will have on the District's financial statements.

With the exception of the new standards discussed above, we have not identified any other new accounting pronouncements that have potential significance to the District's Financial Statements.

NOTE 9 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through February 8, 2021, which is the date these financial statements were available to be issued.

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered- employee payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.010177%	\$ 171,748	\$ 104,553	162.64%	62.80%
2017	0.004861%	78,132	49,619	148.64%	61.98%
2016	0.004405%	42,931	46,332	92.66%	70.46%
2015	0.003073%	20,896	27,380	76.32%	77.15%

* The District implemented GASB Statements No. 68 for its fiscal year ending December 31, 2015. Information for the prior years is not available.

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

	Employer's proportion of the net OPEB liability (asset)	Employer's proportionate share of the net OPEB liability (asset)	Employer's covered- employee payroll	Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2018	0.009555%	\$ 7,525	\$ 104,553	7.13%	61.89%

* The District implemented GASB Statements No. 75 for its fiscal year ending December 31, 2018. Information for prior periods is not available.

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS - PENSION
LAST 10 FISCAL YEARS*

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered- employee payroll	Contributions as a percentage of covered-employee payroll
2018	\$ 7,444	\$ (7,444)	\$ -	\$ 104,553	7.12%
2017	3,533	(3,533)	-	49,619	7.12%
2016	3,214	(3,136)	78	44,396	7.06%
2015	2,079	(5,356)	(3,277)	27,380	7.60%

* The District implemented GASB Statements No. 68 for its fiscal year ending December 31, 2015. Information for the prior years is not available.

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered- employee payroll	Contributions as a percentage of covered-employee payroll
2018	\$ 1,192	\$ (1,192)	\$ -	\$ 104,553	1.14%

* The District implemented GASB Statements No. 75 for its fiscal year ending December 31, 2018. Information for prior periods is not available.

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 CHANGE OF ASSUMPTIONS

NDPERS Pension Plan

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

NDPERS OPEB

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

**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**

To the Board of Directors
Williams County Soil Conservation District
Minot, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of Williams 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 Williams County Soil Conservation District's basic financial statements, and have issued our report thereon dated February 8, 2021.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purposes described in the preceding 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. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2018-001, 2018-002, 2018-003 and 2018-004 to be material weaknesses.

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. We consider the deficiency described in the accompany schedule of findings and responses as items 2018-005 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Williams County Soil Conservation District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2018-005.

Williams County Soil Conservation District's Responses to Findings

Williams County Soil Conservation District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Williams County Soil Conservation District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**BRADY, MARTZ & ASSOCIATES, P.C.
MINOT, NORTH DAKOTA**

February 8, 2021

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018

2018-001 *Significant Adjusting Entries - Material Weakness*

Criteria:	The District is required to maintain internal controls at a level where underlying support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected on a GAAP basis.
Condition:	During our audit, material adjusting entries to the financial statements were proposed in order to bring the financial statements into compliance with accounting principles generally accepted in the United States of America. The District is required to maintain internal controls at a level where a determination can be made that the general ledger accounts are properly reflected on accrual basis of accounting.
Context:	Accounts related to property, depreciation, and notes payable are adjusted throughout the financial statement preparation process.
Cause:	The District has a limited number of staff available to determine the proper balance of each general ledger account prior to the start of the audit.
Effect:	The District does not maintain internal controls at a level where a determination can be made that the general ledger accounts are properly reflected on a full accrual basis.
Recommendation:	In order to comply with this requirement, accounting personnel will need to determine the proper balance of each general ledger account prior to the start of the audit.
View of responsible officials and corrective actions:	We agree with this finding. Due to the small size of the District, it is not cost effective for the District to properly address this material weakness.

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

2018-002 *Financial Statement Preparation - Material Weakness*

Criteria:	An appropriate system of internal controls requires that the District must make a determination that financial statements are properly stated in compliance with accounting principles generally accepted in the United States of America. This requires the District's personnel to maintain knowledge of current accounting principles and required financial statement disclosures.
Condition/Context:	The District's auditors prepared the financial statements as of December 31, 2018. The District does not have controls necessary to assess whether all relevant disclosures have been included in the financial statements as required by accounting principles generally accepted in the United States of America. The lack of appropriate disclosures may affect the user's judgment related to financial condition and results of operations.
Cause:	The District has a limited number of staff available to maintain knowledge of current accounting principles and required financial statement disclosures.
Effect:	An appropriate system of internal controls is not present to make a determination that financial statements are properly stated in compliance with accounting principles generally accepted in the United States of America.
Recommendation:	Compensating controls over financial statement disclosure requirements could be provided by the use of current disclosure checklists or the outsourcing of the financial statement preparation or review function.
View of responsible officials and corrective actions:	We agree with this finding. Due to the small size of the District, it is not cost effective for the District to properly address this material weakness.

WILLIAMS COUNTY SOIL CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

2018-003 *Segregation of Duties – Material Weakness*

Criteria: Generally, an appropriate system of internal control has the proper separation of duties between authorization, custody, record keeping, and reconciliation functions.

Condition/Context: The District has one person responsible for most accounting functions. The functions are as follows:

- Recording a transaction, preparing the deposit, taking the deposit to the bank, and reconciling the bank statement with no management review.
- Printing and recording payments and having signing authority of the checks without authorization or verification of allowability or accuracy of the checks.
- Performing credit card purchases without any review or approval of such purchases from management.
- Printing and signing payroll checks including the one for themselves without any review or approval by any individual other than the person preparing the payroll.
- Recording journal entries without any review of management.

Cause: The District has a limited number of staff available due to the size of the organization.

Effect: Under the current system, one individual has the ability to perform all the functions above. There is no segregation of duties between authorization, custody, record keeping, and reconciliation functions because their District Clerk performs them all.

Recommendation: While the District does have some monitoring controls in place, we recommend that the District review its current process to determine if the monitoring controls can be expanded and if any segregation controls can be economically implemented to reduce the risk of potential fraud.

View of responsible
officials and
corrective actions: We agree with this finding. Due to the small size of the District, it is not cost effective for the District to properly address this material weakness.

BradyMartz

March 17, 2021

Office of the State Auditor
Attn: Dan Cox
600 E. Boulevard Ave. Dept. 117
Bismarck, ND 58505

RE: Williams County Soil Conservation District
2016 Audited Financial Statements
2017/2018 re-issued Audited Financial Statements

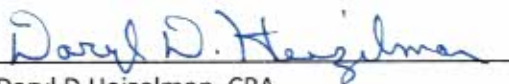
Dear Mr. Cox,

I am enclosing a copy of the 2016 audited financial statements of Williams County Soil Conservation District per the request of the District. We are also including re-issued 2017/2018 audited financial statements. This re-issued statement includes the language in the auditor's report that management has omitted the budgetary comparison schedule.

If you have any further questions, please feel free to call.

Sincerely,

BRADY, MARTZ & ASSOCIATES, P.C.

By: 
Daryl D Heizelman, CPA

enclosures