

AUDIT REPORT

FOSTER COUNTY SOIL CONSERVATION DISTRICT
Carrington, North Dakota

For the Years Ended December 31, 2019 and 2018

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

FOSTER COUNTY SOIL CONSERVATION DISTRICT
Carrington, North Dakota

TABLE OF CONTENTS
For the Years Ended December 31, 2019 and 2018

	<u>Page (s)</u>
Officials	1
Independent Auditor's Report	2 - 3
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	4, 5
Statement of Activities	6, 7
Balance Sheet – Governmental Fund	8, 9
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position	10, 11
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	12, 13
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	14, 15
Notes to the Financial Statements	16 - 22
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule General Fund	23, 24
Notes to the Budgetary Comparison Schedule	25
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	26 - 27
Schedule of Findings and Responses	28 - 29

FOSTER COUNTY SOIL CONSERVATION DISTRICT
Carrington, North Dakota

OFFICIALS

Bob House	Chairman
Cody Montgomery	Vice Chairman
Karl Hoppe	Supervisor
Curtiss Klein	Supervisor
Sam Partlow	Supervisor
Dionn Schaaf	District Manager

Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA
Ken Mehrer, CPA
Bryce Fischer, CPA
Todd Goehring, CPA

Specializing in Governmental Auditing

425 North Fifth Street
Bismarck, ND 58501
Phone 701-258-4560
Fax 701-258-4983

INDEPENDENT AUDITOR'S REPORT

Governing Board
Foster County Soil Conservation District
Carrington, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Foster County Soil Conservation District, Carrington, North Dakota, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the 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 opinions on these financial statements based on our audits. We conducted our audits 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 audits 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 judgement, 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 soil conservation district'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 soil conservation district's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Foster County Soil Conservation District, Carrington, North Dakota, as of December 31, 2019 and 2018, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgeting comparison information on pages 23 through 25 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 audits 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 that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2021 on our consideration of the soil conservation district's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the soil conservation district's internal control over financial reporting and compliance.



Rath and Mehrer, P.C.

Bismarck, North Dakota

February 26, 2021

FOSTER COUNTY SOIL CONSERVATION DISTRICT
Carrington, North Dakota

Statement of Net Position
December 31, 2019

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash	147,755.92
Accounts Receivable	52,980.51
Intergovernmental Receivables	60,624.31
Taxes Receivable	1,305.91
Due from County Treasurer	18,301.94
Capital Assets (net of accumulated depreciation):	
Land	12,605.00
Buildings	2,500.00
Machinery and Equipment	<u>107,468.00</u>
Total Capital Assets	<u>122,573.00</u>
Total Assets	<u>403,541.59</u>
<u>LIABILITIES:</u>	
Payroll Taxes Payable	2,807.41
Sales Tax Payable	<u>1,220.77</u>
Total Liabilities	<u>4,028.18</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>	
Unavailable Revenue	<u>33,840.36</u>
<u>NET POSITION:</u>	
Net Investment in Capital Assets	122,573.00
Restricted for:	
Special Purposes	104,913.37
Unrestricted	<u>138,186.68</u>
Total Net Position	<u><u>365,673.05</u></u>

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

FOSTER COUNTY SOIL CONSERVATION DISTRICT
Carrington, North Dakota

Statement of Net Position
December 31, 2018

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash	157,666.69
Accounts Receivable	52,248.67
Intergovernmental Receivables	20,817.37
Taxes Receivable	1,378.93
Due from County Treasurer	18,600.68
Capital Assets (net of accumulated depreciation):	
Machinery and Equipment	<u>119,439.00</u>
 Total Assets	 <u>370,151.34</u>
 <u>LIABILITIES:</u>	
Payroll Taxes Payable	2,588.43
Sales Tax Payable	<u>1,319.09</u>
 Total Liabilities	 <u>3,907.52</u>
 <u>DEFERRED INFLOWS OF RESOURCES:</u>	
Unavailable Revenue	<u>37,596.30</u>
 <u>NET POSITION:</u>	
Net Investment in Capital Assets	119,439.00
Restricted for:	
Special Purposes	77,481.75
Unrestricted	<u>131,726.77</u>
 Total Net Position	 <u><u>328,647.52</u></u>

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

FOSTER COUNTY SOIL CONSERVATION DISTRICT
Carrington, North Dakota

Statement of Activities
For the Year Ended December 31, 2019

	Program Revenues		Net (Expense)
Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
<u>Governmental Activities:</u>			Governmental
Conservation of Natural Resources	385,459.14	176,103.21	170,285.72
			(39,070.21)
 <u>General Revenues:</u>			
Taxes:			
Property taxes; levied for general purposes			61,169.55
State aid - not restricted to specific program			12,052.18
Earnings on investments and other revenue			2,874.01
Total General Revenues			76,095.74
Change in Net Position			37,025.53
Net Position - January 1			328,647.52
Net Position - December 31			365,673.05

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

FOSTER COUNTY SOIL CONSERVATION DISTRICT
Carrington, North Dakota

Statement of Activities
For the Year Ended December 31, 2018

	Program Revenues		Net (Expense)
Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
<u>Governmental Activities:</u>			Governmental
Conservation of Natural Resources	400,144.12	170,014.71	160,453.34
			(69,676.07)
 <u>General Revenues:</u>			
Taxes:			
Property taxes; levied for general purposes			58,242.97
State aid - not restricted to specific program			10,000.94
Earnings on investments and other revenue			4,630.01
Total General Revenues			72,873.92
Change in Net Position			3,197.85
Net Position - January 1			325,449.67
Net Position - December 31			328,647.52

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

FOSTER COUNTY SOIL CONSERVATION DISTRICT
Carrington, North Dakota

Balance Sheet
Governmental Fund
December 31, 2019

	<u>Major Fund</u>
	<u>General</u>
<u>ASSETS:</u>	
Cash	147,755.92
Accounts Receivable	52,980.51
Intergovernmental Receivables	60,624.31
Taxes Receivable	1,305.91
Due from County Treasurer	<u>18,301.94</u>
Total Assets	<u><u>280,968.59</u></u>
 <u>LIABILITIES, DEFERRED INFLOWS</u>	
<u>OF RESOURCES AND FUND BALANCE</u>	
 <u>Liabilities:</u>	
Payroll Taxes Payable	2,807.41
Sales Tax Payable	<u>1,220.77</u>
Total Liabilities	<u>4,028.18</u>
 <u>Deferred Inflows of Resources:</u>	
Unavailable Revenue	<u>35,146.27</u>
Total Liabilities and Deferred Inflows of Resources	<u>39,174.45</u>
 <u>Fund Balance:</u>	
Restricted for:	
Educational Services	104,913.37
Assigned to:	
Equipment and Improvements	7,746.43
Unassigned	<u>129,134.34</u>
Total Fund Balance	<u>241,794.14</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u><u>280,968.59</u></u>

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

FOSTER COUNTY SOIL CONSERVATION DISTRICT
Carrington, North Dakota

Balance Sheet
Governmental Fund
December 31, 2018

	Major Fund
	General
<u>ASSETS:</u>	
Cash	157,666.69
Accounts Receivable	52,248.67
Intergovernmental Receivables	20,817.37
Taxes Receivable	1,378.93
Due from County Treasurer	18,600.68
Total Assets	250,712.34
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>	
<u>Liabilities:</u>	
Payroll Taxes Payable	2,588.43
Sales Tax Payable	1,319.09
Total Liabilities	3,907.52
 <u>Deferred Inflows of Resources:</u>	
Unavailable Revenue	38,975.23
Total Liabilities and Deferred Inflows of Resources	42,882.75
 <u>Fund Balance:</u>	
Restricted for:	
Educational Services	77,481.75
Assigned to:	
Equipment and Improvements	7,711.08
Unassigned	122,636.76
Total Fund Balance	207,829.59
Total Liabilities, Deferred Inflows of Resources and Fund Balance	250,712.34

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

FOSTER COUNTY SOIL CONSERVATION DISTRICT
Carrington, North Dakota

Reconciliation of Governmental Fund Balance Sheet
to the Statement of Net Position
For the Year Ended December 31, 2019

Total Fund Balance for Governmental Fund		241,794.14
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental fund.		
Cost of Capital Assets	225,000.00	
Less Accumulated Depreciation	<u>(102,427.00)</u>	
Net Capital Assets		122,573.00
Some revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the fund.		
Property Taxes Receivable		<u>1,305.91</u>
Total Net Position of Governmental Activities		<u><u>365,673.05</u></u>

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

FOSTER COUNTY SOIL CONSERVATION DISTRICT
Carrington, North Dakota

Reconciliation of Governmental Fund Balance Sheet
to the Statement of Net Position
For the Year Ended December 31, 2018

Total Fund Balance for Governmental Fund	207,829.59
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the governmental fund.	
Cost of Capital Assets	200,548.00
Less Accumulated Depreciation	<u>(81,109.00)</u>
Net Capital Assets	119,439.00
Some revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the fund.	
Property Taxes Receivable	<u>1,378.93</u>
Total Net Position of Governmental Activities	<u><u>328,647.52</u></u>

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

FOSTER COUNTY SOIL CONSERVATION DISTRICT
Carrington, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended December 31, 2019

	Major Fund
	General
<u>Revenues:</u>	
Taxes	61,242.57
Licenses, Permits and Fees	49,391.43
Intergovernmental	182,337.90
Charges for Services	116,916.85
Miscellaneous	12,668.94
Total Revenues	422,557.69
<u>Expenditures:</u>	
<u>Current:</u>	
Payroll and Fringe Benefits	127,198.59
Supervisor and Meeting Expenses	3,772.04
Contracted Services	25,780.00
Office Expenses	4,104.70
Mileage	1,326.05
Insurance	4,848.26
Utilities	1,560.85
Supplies and Equipment	3,299.42
Acquisition Costs	2,120.00
Postage	626.40
Fuel and Oil	2,114.72
Dues and Subscriptions	1,063.80
Conservation Education	6,511.51
Workshops and Training	165.75
Advertising and Promotions	3,852.65
Repairs and Maintenance	6,745.93
Rentals	225.00
Presentation Fees	124,900.00
Contributions	198.00
Miscellaneous	1,030.80
Cost of Goods Sold	42,696.67
Capital Outlay	24,452.00
Total Expenditures	388,593.14
Net Change in Fund Balance	33,964.55
Fund Balance - January 1	207,829.59
Fund Balance - December 31	241,794.14

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

FOSTER COUNTY SOIL CONSERVATION DISTRICT
Carrington, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund
For the Year Ended December 31, 2018

	Major Fund
	General
<u>Revenues:</u>	
Taxes	57,615.26
Licenses, Permits and Fees	42,725.00
Intergovernmental	170,454.28
Charges for Services	119,872.88
Miscellaneous	12,046.84
Total Revenues	402,714.26
<u>Expenditures:</u>	
<u>Current:</u>	
Payroll and Fringe Benefits	119,761.41
Supervisor and Meeting Expenses	4,036.59
Contracted Services	25,728.80
Office Expenses	3,770.85
Mileage	2,016.57
Insurance	3,943.01
Utilities	1,783.10
Supplies and Equipment	4,158.96
Postage	530.76
Fuel and Oil	1,755.23
Dues and Subscriptions	590.60
Conservation Education	5,464.24
Workshops and Training	376.00
Advertising and Promotions	1,971.93
Repairs and Maintenance	2,754.72
Rentals	200.00
Professional Fees	5,175.00
Presentation Fees	135,527.21
Contributions	680.00
Miscellaneous	2,796.26
Cost of Goods Sold	55,902.88
Capital Outlay	33,230.00
Total Expenditures	412,154.12
Net Change in Fund Balance	(9,439.86)
Fund Balance - January 1	217,269.45
Fund Balance - December 31	207,829.59

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

FOSTER COUNTY SOIL CONSERVATION DISTRICT
Carrington, North Dakota

Reconciliation of Governmental Fund Statement of Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities
For the Year Ended December 31, 2019

Net Change in Fund Balance - Total Governmental Fund		33,964.55
<p>The change in net position reported for governmental activities in the statement of activities is different because:</p> <p>The governmental fund reports capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year.</p>		
Current Year Capital Outlay	24,452.00	
Current Year Depreciation Expense	<u>(21,318.00)</u>	3,134.00
<p>Some revenues reported on the statement of activities are not reported as revenues in the governmental fund since they do not represent available resources to pay current expenditures.</p>		
Net Decrease in Taxes Receivable		<u>(73.02)</u>
Change in Net Position of Governmental Activities		<u><u>37,025.53</u></u>

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

FOSTER COUNTY SOIL CONSERVATION DISTRICT
Carrington, North Dakota

Reconciliation of Governmental Fund Statement of Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities
For the Year Ended December 31, 2018

Net Change in Fund Balance - Total Governmental Fund	(9,439.86)
--	------------

The change in net position reported for governmental activities in the statement of activities is different because:

The governmental fund reports capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year.

Current Year Capital Outlay	33,230.00	
Current Year Depreciation Expense	<u>(21,220.00)</u>	12,010.00

Some revenues reported on the statement of activities are not reported as revenues in the governmental fund since they do not represent available resources to pay current expenditures.

Net Increase in Taxes Receivable	<u>627.71</u>
----------------------------------	---------------

Change in Net Position of Governmental Activities	<u><u>3,197.85</u></u>
---	------------------------

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

FOSTER COUNTY SOIL CONSERVATION DISTRICT
Carrington, North Dakota

Notes to the Financial Statements
December 31, 2019 and 2018

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Foster County Soil Conservation District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The accompanying financial statements present the activities of the soil conservation district. The soil conservation district has considered all potential component units for which the soil conservation district is financially accountable and other organizations for which the nature and significance of their relationships with the soil conservation district are such that exclusion would cause the soil conservation district's financial statements to be misleading or incomplete. The Government Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the soil conservation district to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the soil conservation district.

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

B. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities display information about the primary government, Foster County Soil Conservation District. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the soil conservation district's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the soil conservation district's fund. The emphasis of fund financial statements is on the major governmental fund.

The soil conservation district reports the following major governmental fund:

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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 measurable and available. The soil conservation district considers all revenues reported in the governmental fund to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the governmental fund. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

D. Cash

Cash includes amounts in demand deposits and money market accounts.

E. Capital Assets

Capital assets include vehicles and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the soil conservation district as assets with an initial individual cost of \$1,500 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

Buildings	40 years
Machinery and Vehicles	5 to 15 Years

F. Compensated Absences

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Vested or accumulated vacation leave is not reported in the government-wide statement of net position as it is considered immaterial.

G. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

H. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net position”.

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the soil conservation district is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash such as inventories or prepaid expenses) or (b) legally or contractually required to be maintained intact (i.e., endowment funds).

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the soil conservation district or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments (i.e., funds restricted by state statute, unspent bond proceeds, grants earned but not spent, debt covenants or taxes raised for a specific purpose).

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the governing board through the adoption of a resolution. The governing board also may modify or rescind the commitment.

Assigned – Fund balances are reported as assigned when amounts are constrained by the soil conservation district’s intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The soil conservation district reports positive unassigned fund balance only in the general fund. Negative fund balances may be reported in all funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the soil conservation district’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the soil conservation district’s policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Net Position – Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the soil conservation district has not spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Note 2 DEPOSITS AND INVESTMENTS

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

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

Authorized collateral includes bills, notes or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district or any other political subdivision of the State of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or other securities approved by the banking board.

At December 31, 2019 the soil conservation district’s carrying amount of deposits was \$147,756 and the bank balance was \$154,655. Of the bank balance, \$154,655 was covered by Federal Depository Insurance.

At December 31, 2018 the soil conservation district's carrying amount of deposits was \$157,667 and the bank balance was \$165,931. Of the bank balance, \$165,931 was covered by Federal Depository Insurance.

Credit Risk

The soil conservation district may invest idle funds as authorized in North Dakota Statutes, as follows:

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

Concentration of Credit Risk

The soil conservation district does not have a limit on the amount the soil conservation district may invest in any one issuer.

Note 3 ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts owed by individuals and other governmental units for the sale of grass seeds, plants and materials and for services performed by the soil conservation district due at December 31. No allowance has been established for uncollectible accounts.

Note 4 INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables consist of amounts due from the State of North Dakota Health Department to reimburse the soil conservation district for expenses related to The Regional Environmental Education Series (Trees) project.

Note 5 TAXES RECEIVABLE

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

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing 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 by March 1 and the second installment is due by October 15. A 5% discount is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

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

Note 6 DUE FROM COUNTY TREASURER

The amount due from county treasurer consists of the cash on hand for taxes collected but not remitted to the soil conservation district at December 31.

Note 7 CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended December 31, 2019 and 2018:

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land		12,605		12,605
<i>Capital assets being depreciated:</i>				
Buildings		2,500		2,500
Machinery and Equipment	200,548	9,347		209,895
Total	<u>200,548</u>	<u>11,847</u>	-	<u>212,395</u>
<i>Less accumulated depreciation for:</i>				
Buildings				-
Machinery and Equipment	81,109	21,318		102,427
Total	<u>81,109</u>	<u>21,318</u>	-	<u>102,427</u>
Total capital assets being depreciated, net	<u>119,439</u>	<u>(9,471)</u>	-	<u>109,968</u>
Governmental Activities Capital Assets, Net	<u>119,439</u>	<u>3,134</u>	-	<u>122,573</u>
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities:				
<i>Capital assets being depreciated:</i>				
Machinery and Equipment	167,318	33,230		200,548
<i>Less accumulated depreciation for:</i>				
Machinery and Equipment	59,889	21,220		81,109
Governmental Activities Capital Assets, Net	<u>107,429</u>	<u>12,010</u>	-	<u>119,439</u>

Depreciation expense was charged to functions/programs of the soil conservation district as follows:

	<u>12/31/2019</u>	<u>12/31/2018</u>
Conservation of Natural Resources	<u>21,318</u>	<u>21,220</u>

Note 8 PAYROLL TAXES PAYABLE

Payroll taxes payable consists of benefits owed to federal, state and private agencies for amounts withheld from employee's salaries as of December 31 but not yet remitted.

Note 9 SALES TAX PAYABLE

Sales tax payable consists of taxes collected on sales during 2019 and 2018 but remitted to the State of North Dakota subsequent to December 31, 2019 and 2018, respectively.

Note 10 UNAVAILABLE REVENUE

Unavailable revenue on the fund financial statements consists of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available and include taxes receivable and prepaid property taxes.

Unavailable revenue on the government-wide financial statement consists of prepaid property taxes and down payments paid by producers for future work to be performed.

Note 11 RISK MANAGEMENT

The Foster 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 soil conservation district pays an annual premium to NDIRF for its general liability and automobile insurance coverage. The coverage by NDIRF is limited to losses of \$1,000,000 per occurrence for general liability and automobile; and \$144,064 for public assets.

The soil conservation district also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The soil conservation district pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the soil conservation district with a blanket fidelity bond coverage in the amount of \$106,500 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The soil conservation district has worker's compensation with the Department of Workforce Safety and Insurance; and purchases commercial insurance for employee health and accident insurance.

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

Note 12 TAX ABATEMENTS

The soil conservation district has not entered into any tax abatement agreements that would reduce the district's tax revenues for the years ended December 31, 2019 and 2018.

FOSTER COUNTY SOIL CONSERVATION DISTRICT
Carrington, North Dakota

Budgetary Comparison Schedule
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	64,400.00	64,400.00	61,242.57	(3,157.43)
License, Permits and Fees			49,391.43	49,391.43
Intergovernmental	166,074.32	166,074.32	182,337.90	16,263.58
Charges for Services	88,500.00	88,500.00	116,916.85	28,416.85
Miscellaneous	4,850.00	4,850.00	12,668.94	7,818.94
Total Revenues	<u>323,824.32</u>	<u>323,824.32</u>	<u>422,557.69</u>	<u>98,733.37</u>
<u>Expenditures:</u>				
<u>Current:</u>				
Payroll and Fringe Benefits	119,540.00	119,540.00	127,198.59	(7,658.59)
Supervisor and Meeting Expenses	4,500.00	4,500.00	3,772.04	727.96
Contracted Services	25,500.00	25,500.00	25,780.00	(280.00)
Office Expenses	3,899.13	3,899.13	4,104.70	(205.57)
Mileage			1,326.05	(1,326.05)
Insurance	3,170.00	3,170.00	4,848.26	(1,678.26)
Utilities	1,875.00	1,875.00	1,560.85	314.15
Supplies and Equipment	1,000.00	1,000.00	3,299.42	(2,299.42)
Acquisition Costs			2,120.00	(2,120.00)
Postage	755.00	755.00	626.40	128.60
Fuel and Oil	1,800.00	1,800.00	2,114.72	(314.72)
Dues and Subscriptions	1,105.00	1,105.00	1,063.80	41.20
Conservation Education	9,150.00	9,150.00	6,511.51	2,638.49
Workshops and Training	400.00	400.00	165.75	234.25
Advertising and Promotions	3,415.00	3,415.00	3,852.65	(437.65)
Repairs and Maintenance	6,500.00	6,500.00	6,745.93	(245.93)
Rentals	270.00	270.00	225.00	45.00
Presentation Fees	124,900.00	124,900.00	124,900.00	-
Contributions	275.00	275.00	198.00	77.00
Miscellaneous	2,420.00	2,420.00	1,030.80	1,389.20
Cost of Goods Sold	39,850.00	39,850.00	42,696.67	(2,846.67)
Capital Outlay	52,125.00	52,125.00	24,452.00	27,673.00
Total Expenditures	<u>402,449.13</u>	<u>402,449.13</u>	<u>388,593.14</u>	<u>13,855.99</u>
Net Change in Fund Balance	<u>(78,624.81)</u>	<u>(78,624.81)</u>	<u>33,964.55</u>	<u>112,589.36</u>
Fund Balance - January 1	<u>207,829.59</u>	<u>207,829.59</u>	<u>207,829.59</u>	
Fund Balance - December 31	<u>129,204.78</u>	<u>129,204.78</u>	<u>241,794.14</u>	<u>112,589.36</u>

FOSTER COUNTY SOIL CONSERVATION DISTRICT
Carrington, North Dakota

Budgetary Comparison Schedule
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	58219.2	58219.2	57,615.26	(603.94)
License, Permits and Fees			42,725.00	42,725.00
Intergovernmental	160,733.33	160,733.33	170,454.28	9,720.95
Charges for Services	65,670.00	65,670.00	119,872.88	54,202.88
Miscellaneous	2,960.00	2,960.00	12,046.84	9,086.84
Total Revenues	287,582.53	287,582.53	402,714.26	115,131.73
Expenditures:				
Current:				
Payroll and Fringe Benefits	98,800.00	98,800.00	119,761.41	(20,961.41)
Supervisor and Meeting Expenses	5,750.00	5,750.00	4,036.59	1,713.41
Contracted Services	25,500.00	25,500.00	25,728.80	(228.80)
Office Expenses	4,569.17	4,569.17	3,770.85	798.32
Mileage			2,016.57	(2,016.57)
Insurance	2,995.00	2,995.00	3,943.01	(948.01)
Utilities	1,780.00	1,780.00	1,783.10	(3.10)
Supplies and Equipment	1,000.00	1,000.00	4,158.96	(3,158.96)
Postage	805.00	805.00	530.76	274.24
Fuel and Oil	1,370.00	1,370.00	1,755.23	(385.23)
Dues and Subscriptions	1,105.00	1,105.00	590.60	514.40
Conservation Education	5,420.00	5,420.00	5,464.24	(44.24)
Workshops and Training	150.00	150.00	376.00	(226.00)
Advertising and Promotions	3,060.00	3,060.00	1,971.93	1,088.07
Repairs and Maintenance	6,500.00	6,500.00	2,754.72	3,745.28
Rentals	270.00	270.00	200.00	70.00
Professional Fees	2,275.00	2,275.00	5,175.00	(2,900.00)
Presentation Fees	135,527.21	135,527.21	135,527.21	-
Contributions	275.00	275.00	680.00	(405.00)
Miscellaneous	640.00	640.00	2,796.26	(2,156.26)
Cost of Goods Sold	27,730.00	27,730.00	55,902.88	(28,172.88)
Capital Outlay	18,605.00	18,605.00	33,230.00	(14,625.00)
Total Expenditures	344,126.38	344,126.38	412,154.12	(68,027.74)
Net Change in Fund Balance	(56,543.85)	(56,543.85)	(9,439.86)	47,103.99
Fund Balance - January 1	217,269.45	217,269.45	217,269.45	
Fund Balance - December 31	160,725.60	160,725.60	207,829.59	47,103.99

FOSTER COUNTY SOIL CONSERVATION DISTRICT
Carrington, North Dakota

Notes to the Budgetary Comparison Schedule
December 31, 2019 and 2018

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

The Clerk/District Manager prepare an annual budget. The district budget is prepared for the general fund by function and activity on the modified accrual basis of accounting. The budget includes proposed expenditures and the means of financing them. The governing board reviews the preliminary budget, may make revisions and approves it; and submits it to the County Auditor prior to July 1.

The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10. At year-end, the balance of each appropriation becomes a part of the unappropriated fund balance.

Note 2 LEGAL COMPLIANCE

The governing board did not amend the soil conservation district's budget during the years ended December 31, 2019 and 2018.

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the general fund by \$68,027.74 for the year ending December 31, 2018. No remedial action is anticipated or required by the soil conservation district regarding these excess expenditures.

Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA
Ken Mehrer, CPA
Bryce Fischer, CPA
Todd Goehring, CPA

Specializing in Governmental Auditing

425 North Fifth Street
Bismarck, ND 58501
Phone 701-258-4560
Fax 701-258-4983

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

INDEPENDENT AUDITOR'S REPORT

Governing Board
Foster County Soil Conservation District
Carrington, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Foster County Soil Conservation District, Carrington, North Dakota, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the soil conservation district's basic financial statements, and have issued our report thereon dated February 26, 2021.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the 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 the soil conservation district's internal control. Accordingly, we do not express an opinion on the effectiveness of the soil conservation district's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the soil conservation district's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2019-001 and 2019-002, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the soil conservation district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Soil Conservation District's Response to Findings

The soil conservation district's response to the findings identified in our audits are described in the accompanying *Schedule of Findings and Responses*. The soil conservation district's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Rath and Mehrer, P.C.

Bismarck, North Dakota

February 26, 2021

2. 2019-002- Financial Statement Preparation

Criteria: A good system of internal controls requires the soil conservation district to determine that the financial statements are prepared based on accounting principles generally accepted in the United States of America. This means that the soil conservation district must maintain knowledge of current accounting principles and required financial statement disclosures.

Condition: The soil conservation district's financial statements, including the accompanying note disclosures, are prepared by the soil conservation district's external auditors.

Cause: The soil conservation district feels that it is more cost effective to have their external auditors prepare the complete financial statements and disclosures, rather than invest in ongoing specialized training that would be necessary.

Effect: Without the assistance of the auditors, the financial statements could be misstated or omit material financial statement disclosures.

Recommendation: We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures; and review and approve them prior to distribution.

Views of Responsible Officials: The soil conservation district will continue to have the external auditors prepare the financial statements, including note disclosures, but will review and approve them prior to external distribution.