

**WILD RICE SOIL CONSERVATION DISTRICT**  
**Forman, North Dakota**

**AUDITED FINANCIAL STATEMENTS**  
**Year Ended December 31, 2019**

**WILD RICE SOIL CONSERVATION DISTRICT**  
**Forman, North Dakota**

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**December 31, 2019**

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**WILD RICE SOIL CONSERVATION DISTRICT**  
**Forman, North Dakota**

**OFFICIAL DIRECTORY**  
**December 31, 2019**

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Joe Breker

Chairman

Ronda Throener

Vice Chairwoman

Eric Delahoyde

Treasurer

Duayne Baldwin

Supervisor

Roger Zetocha

Supervisor



## INDEPENDENT AUDITOR'S REPORT

Board of Supervisors  
Wild Rice Soil Conservation District  
Forman, North Dakota

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

We have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund of the Wild Rice Soil Conservation District, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Wild Rice Soil Conservation District's basic financial statements as listed in the table of contents.

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

Wild Rice Soil Conservation District's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund of the Wild Rice Soil Conservation District, as of December 31, 2019 and the respective changes in financial position-modified cash basis for the year then ended on the basis of accounting described in Note 1.

### ***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wild Rice Soil Conservation District's basic financial statements. The budgetary comparison schedule – modified cash basis – general fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison schedule – modified cash basis – general fund is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule – modified cash basis – general fund is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

#### ***Other Information***

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

As discussed in Note 12 to the financial statements, there were errors in current liabilities and capital assets as of December 31, 2018 that were discovered by management in the current year. Accordingly, an adjustment has been made to net position as of December 31, 2018 to correct the error. Our opinion is not modified with respect to that matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2020 on our consideration of Wild Rice 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 Wild Rice Soil Conservation District's internal control over financial reporting and compliance.



Nadine Julson, LLC  
Wahpeton, ND  
September 24, 2020

**WILD RICE SOIL CONSERVATION DISTRICT**  
**Forman, North Dakota**

**STATEMENT OF NET POSITION – MODIFIED CASH BASIS**  
**December 31, 2019**

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ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 196,293
Total Current Assets	196,293
Capital Assets	
Land	4,000
Depreciable, net of accumulated depreciation	
Buildings and Improvements	102,616
Equipment	104,945
Total Capital Assets	211,561
Total Assets	407,854
LIABILITIES	
Current Liabilities	
Current Portion of Long-Term Debt	
Notes Payable	6,101
Capital Leases Payable	6,798
Total Current Liabilities	12,899
Due After One Year	
Capital Leases Payable	18,133
Total Long-Term Liabilities	18,133
Total Liabilities	31,032
NET POSITION	
Net Investment in Capital Assets	180,529
Restricted	102,783
Unrestricted	93,510
Total Net Position	\$ 376,822

See Notes to Financial Statements

**WILD RICE SOIL CONSERVATION DISTRICT**  
**Forman, North Dakota**

**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**  
**Year Ended December 31, 2019**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Conservation of Natural Resources	\$ 410,306	\$ 168,623	\$ 165,372	\$ (76,311)
General Administration Services	5,719	-	-	(5,719)
Interest and Other Charges	1,701	-	-	(1,701)
	<u>\$ 417,726</u>	<u>\$ 168,623</u>	<u>\$ 165,372</u>	<u>(83,731)</u>
General Revenues				
Taxes				
Taxes Levied for General Purposes				29,553
State Aid, not restricted for specific purpose				2,743
Interest and Investment Earnings				259
Gain on Sale of Assets				13,641
Miscellaneous				6,377
Total General Revenues				<u>52,573</u>
Change in Net Position				(31,158)
Net Position, Beginning of Year				<u>407,980</u>
Net Position, End of Year				<u>\$ 376,822</u>

See Notes to Financial Statements

**WILD RICE SOIL CONSERVATION DISTRICT**  
**Forman, North Dakota**

**BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**December 31, 2019**

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	General Fund	319 Fund	Conservation Cropping Systems	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 93,510	\$ 53,509	\$ 49,274	\$ 196,293
Total Assets	93,510	53,509	49,274	196,293
FUND BALANCE				
Restricted	-	53,509	49,274	102,783
Unassigned	93,510	-	-	93,510
Total Fund Balance	93,510	53,509	49,274	196,293
Total Liabilities and Fund Balance	\$ 93,510	\$ 53,509	\$ 49,274	\$ 196,293

See Notes to Financial Statements



**WILD RICE SOIL CONSERVATION DISTRICT**  
**Forman, North Dakota**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION – MODIFIED CASH BASIS**  
**December 31, 2019**

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Total Fund Balance for Governmental Funds		\$	196,293
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 funds.			
Cost of Capital Assets	872,107		
Less Accumulated Depreciation	(660,546)		
Net Capital Assets			211,561
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as expenditures when due. All liabilities, both current and long-term are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.			
Notes Payable	(6,101)		
Capital Leases Payable	(24,931)		
Total Long-Term Liabilities			(31,032)
Total Net Position of Governmental Activities		\$	376,822

See Notes to Financial Statements

**WILD RICE SOIL CONSERVATION DISTRICT**  
**Forman, North Dakota**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**Year Ended December 31, 2019**

	General Fund	319 Fund	Conservation Cropping Systems	Total Governmental Funds
<b>REVENUES</b>				
Property Taxes	\$ 29,553	\$ -	\$ -	\$ 29,553
Intergovernmental	8,648	130,479	17,188	156,315
Charges for Services	155,966	12,457	200	168,623
Contributions	-	5,800	6,000	11,800
Interest Income	209	-	50	259
Interest Income	3,386	-	2,991	6,377
Total Revenues	197,762	148,736	26,429	372,927
<b>EXPENDITURES</b>				
Current				
Conservation of Natural Resources	194,165	149,342	33,258	376,765
General Administration Services	4,134	924	661	5,719
Debt Service				
Principal	12,371	-	-	12,371
Interest and Other Charges	1,701	-	-	1,701
Facilities Acquisition and Construction	60,268	-	-	60,268
Total Expenditures	272,639	150,266	33,919	456,824
Excess (Deficiency) of Revenues over Expenditures	(74,877)	(1,530)	(7,490)	(83,897)
<b>OTHER FINANCING SOURCES</b>				
Proceeds from Sale of Capital Asset	60,268	-	-	60,268
Total Other Financing Sources	60,268	-	-	60,268
NET CHANGE IN FUND BALANCE	(14,609)	(1,530)	(7,490)	(23,629)
FUND BALANCE, BEGINNING OF YEAR	108,119	55,039	56,764	219,922
FUND BALANCE, END OF YEAR	\$ 93,510	\$ 53,509	\$ 49,274	\$ 196,293

See Notes to Financial Statements

**WILD RICE SOIL CONSERVATION DISTRICT**  
**Forman, North Dakota**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**  
**Year Ended December 31, 2019**

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Net Change in Fund Balances - Total Governmental Funds	\$ (23,629)
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets with a cost greater than \$5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.	26,727
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Governmental funds report sales of assets as current financial resources. The statement of activities recognizes gain or loss on the transaction.	(46,627)
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Repayment of debt principal and other long-term liabilities is an expenditure in the governmental fund financial statements, but repayment reduces long-term liabilities in the statement of net position.	<u>12,371</u>
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Change in Net Position of Governmental Activities	<u><u>\$ (31,158)</u></u>
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**WILD RICE SOIL CONSERVATION DISTRICT**  
**Forman, North Dakota**

**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

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

The financial statements of the Wild Rice Soil Conservation District, Forman, North Dakota (the District) have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental 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.

**Reporting Entity**

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

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

**Basis of Presentation**

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

Fund Financial Statements - The fund financial statements provide reports on the financial condition and results of operations for the District's funds. The emphasis is on the major governmental funds. The District reports the following funds:

- 319 Fund
  - Accounts for all financial resources for the 319 Nonpoint Implementation Grants.
- Conservation Cropping Systems
  - Accounts for all financial resources for the conservation cropping systems project.
- General Fund
  - This is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

**WILD RICE SOIL CONSERVATION DISTRICT**  
**Notes to Financial Statements - Continued**

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**Measurement Focus**

Government-wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus, within the limitations of the modified cash basis of accounting.

Government Fund Financial Statements – The governmental funds are reported using the current financial resources measurement focus and the modified cash basis of accounting. Only current financial assets are generally included on their balance sheet. The Statements of Revenues, Expenditures, and Changes in Fund Balance reports on the sources and uses of current financial resources.

**Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, government activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund balance, revenues, expenditures/expenses when they result from cash transaction with a provision for depreciation in the government-wide statements. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues and certain liabilities and their related expenses are not recorded in these financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the government-wide statements would be prepared on the accrual basis of accounting and the governmental fund financial statements would be prepared on the modified accrual basis of accounting.

**Cash and Cash Equivalents**

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

**Capital Assets**

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

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

<u>Assets</u>	<u>Years</u>
Building and Improvements	20
Equipment	7

**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.

In the fund financial statements, the face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs are reported as debt service expenditures.

**Fund Balances and Net Position**

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

**WILD RICE SOIL CONSERVATION DISTRICT**  
**Notes to Financial Statements - Continued**

*Fund Balance Spending Policy:*

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

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

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

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

**WILD RICE SOIL CONSERVATION DISTRICT**  
**Notes to Financial Statements - Continued**

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Fund balance was restricted in the 319 Fund and Conservation Cropping Systems fund and the General Fund balance was unassigned at December 31, 2019.

*Net Position*

The District implemented the provisions of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.

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

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

Restrictions of net position, shown in the Statement of Net Position, are due to restricted grant agreements. Unrestricted net position is primarily unrestricted amounts related to the general fund and any negative fund balances. The unrestricted net position is available to meet the District's ongoing obligations.

**NOTE 2 – LEGAL COMPLIANCE - BUDGETS**

Expenditures over Appropriations – The general fund revenues were less than budgeted amounts by \$14,378 and expenditures were less than by \$74,640.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

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

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

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the State of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board. At year end December 31, 2019, the District's carrying amounts of deposits were \$196,293 and the bank balances were \$196,610. All bank balances were covered by Federal Depositary Insurance.

*Credit Risk:*

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

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

As of December 31, 2019, the District held no certificates of deposit.

**WILD RICE SOIL CONSERVATION DISTRICT**  
**Notes to Financial Statements - Continued**

*Interest Rate Risk:*

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

*Concentration of Credit Risk:*

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

**NOTE 4 – PROPERTY TAXES**

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

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

**NOTE 5 – CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended December 31, 2019.

	Balance January 1, 2019	Additions	Retirements	Balance December 31, 2019
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$ 4,000	\$ -	\$ -	\$ 4,000
Total Capital Assets, not being depreciated	4,000	-	-	4,000
Capital Assets, being depreciated				
Buildings and Improvements	469,865	-	-	469,865
Equipment	398,231	60,268	(60,257)	398,242
Total Capital Assets, being depreciated	868,096	60,268	(60,257)	868,107
Less Accumulated Depreciation				
Buildings and Improvements	354,648	12,601	-	367,249
Equipment	285,987	20,940	(13,630)	293,297
Total Accumulated Depreciation	640,635	33,541	(13,630)	660,546
Total Capital Assets Being Depreciated, net	227,461	26,727	(46,627)	207,561
Governmental Activities Capital Assets, net	<u>\$ 231,461</u>	<u>\$ 26,727</u>	<u>\$ (46,627)</u>	<u>\$ 211,561</u>

The District owns a skid-steer loader that is traded in annually for a new loader at no cost, subject to machine usage rates. Management believe the District will continue to utilize this program and meet the machine usage requirements.



**WILD RICE SOIL CONSERVATION DISTRICT**  
**Notes to Financial Statements - Continued**

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

<u>Governmental Activities</u>	
Conservation of Natural Resources	\$ 33,541
Total	<u>\$ 33,541</u>

**NOTE 6 – LONG-TERM LIABILITIES**

During the year ended December 31, 2019, the following changes occurred to amounts reported in long-term liabilities:

	Balance January 1, 2019	Additions	Retirements	Balance December 31, 2019
Notes Payable	\$ 11,912	\$ -	\$ (5,811)	\$ 6,101
Capital Leases Payable	31,491	-	(6,560)	24,931
Total	<u>\$ 43,403</u>	<u>\$ -</u>	<u>\$ (12,371)</u>	<u>\$ 31,032</u>

Outstanding debt at December 31, 2019, are comprised of the following individual issues:

1. Notes Payable
  - a. \$35,500 loan entered in May 14, 2015, with annual payments of \$6,405, beginning May 1, 2016, through May 1, 2020, which includes interest at 4.99%, secured by equipment.
2. Capital Leases Payable
  - a. \$34,570 lease agreement entered in May 1, 2018, with semi-annual payments of \$3,825, beginning December 1, 2018, through June 1, 2023, which includes interest at 3.75%, secured by equipment.

The debt service requirements are as follows:

<u>Note Payable</u>			
	Principal	Interest	Total Payment
2020	\$ 6,101	\$ 304	\$ 6,405
Total	<u>\$ 6,101</u>	<u>\$ 304</u>	<u>\$ 6,405</u>

  

<u>Capital Lease</u>			
	Principal	Interest	Total Payment
2020	\$ 6,798	\$ 873	\$ 7,671
2021	7,056	615	7,671
2022	7,322	349	7,671
2023	3,755	71	3,826
Total	<u>\$ 24,931</u>	<u>\$ 1,908</u>	<u>\$ 26,839</u>

**WILD RICE SOIL CONSERVATION DISTRICT**  
**Notes to Financial Statements - Continued**

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**NOTE 7 – COMPENSATED ABSENCES**

Full-time regular District employees are granted vacation benefits from 8 to 16 hours per month depending on tenure with the District. Vacation benefits may accrue to total of 240 hours. All unused vacation will be paid out to employees upon termination of employment. Sick leave is granted at the rate of 8 hours per month. There is no limit on the amount of sick leave that can be accumulated. Upon termination of employment, sick leave will not be paid out.

**NOTE 8 – RETIREMENT PLAN**

The District established a SIMPLE-IRA retirement plan. The District makes a 3% matching contribution for employees who elect to participate in the plan. The costs to the District for the years ending December 31, 2019 and 2018 were \$3,188 and \$2,654 respectively.

**NOTE 9 – RISK MANAGEMENT**

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

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

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$2,000,000 per occurrence during a twelve-month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$250,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

**NOTE 10 – NON-MONETARY TRANSACTIONS**

The District receives in-kind rent land rent donations in the amount of \$11,800.

**NOTE 11 – SUBSEQUENT EVENTS**

The District has evaluated subsequent events through September 24, 2020, the date on which the financial statements were available to be issued.

Subsequent to year end, the District purchased a new drill for \$38,250. A \$10,000 down payment and \$28,250 loan was taken out to purchase the new equipment.

NOTE 12 – CORRECTION OF MISSTATMENT

It was determined that there was a financial misstatement for the year ended December 31, 2018. The misstatement includes an overstatement of benefits payable, compensated absences, and capital assets. Benefits payable and compensated absences should not be accrued with use of the modified cash basis of accounting. Capital assets have been corrected to reflect the deletion of capital assets and correction of accumulated depreciation. The District had made the following corrections:

December 31, 2019 Net Position, previously reported	\$ 579,982
Benefits Payable	3,528
Compensated Absences	4,609
Equipment	22,312
Accumulated Depreciation	<u>(202,451)</u>
December 31, 2019 Net Position, as restated	<u>\$ 407,980</u>

**WILD RICE SOIL CONSERVATION DISTRICT**  
**Forman, North Dakota**

**BUGETARY COMPARISON SCHEDULE – GENERAL FUND – MODIFIED CASH BASIS**  
**Year Ended December 31, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 31,000	\$ 31,000	\$ 29,553	\$ (1,447)
Intergovernmental	31,000	31,000	8,648	(22,352)
Charges for Services	147,140	147,140	155,966	8,826
Interest Income	-	-	209	209
Miscellaneous Income	3,000	3,000	3,386	386
Total Revenues	212,140	212,140	197,762	(14,378)
<b>EXPENDITURES</b>				
Current				
Conservation of Natural Resources	267,039	267,039	194,165	72,874
General Administration Services	5,900	5,900	4,134	1,766
Principal	12,371	12,371	12,371	-
Interest and Other Charges	1,701	1,701	1,701	-
Facilities Acquisition and Construction	60,268	60,268	60,268	-
Total Expenditures	347,279	347,279	272,639	74,640
Excess (Deficiency) of Revenues over Expenditures	(135,139)	(135,139)	(74,877)	60,262
<b>OTHER FINANCING SOURCES</b>				
Proceeds from Sale of Capital Asset	60,268	60,268	60,268	-
Total Other Financing Sources	60,268	60,268	60,268	-
NET CHANGE IN FUND BALANCE	\$ (74,871)	\$ (74,871)	(14,609)	\$ 60,262
FUND BALANCE, BEGINNING OF YEAR			108,119	
FUND BALANCE, END OF YEAR			\$ 93,510	



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

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Board of Supervisors  
Wild Rice Soil Conservation District  
Forman, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to finance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Wild Rice Soil Conservation District, Forman, North Dakota as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Wild Rice Soil Conservation District's basic financial statements, and have issued our report thereon dated September 24, 2020.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses (2019-001 and 2019-002).

## **Compliance and Other Matters**

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

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

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

## **Purpose of this Report**

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



Nadine Julson, LLC  
Wahpeton, ND  
September 24, 2020

**WILD RICE SOIL CONSERVATION DISTRICT**  
**Forman, North Dakota**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year ended December 31, 2019**

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

Financial Statements

Type of Report Issued:

Governmental Activities

Unmodified

Major Governmental Funds

Unmodified

Internal Control Over Financial Reporting

Material weakness identified?

          X          

Yes

                     No

Significant deficiencies identified not considered to be material weaknesses?

                     Yes

          X          

None reported

Noncompliance material to financial statements noted?

                     Yes

          X          

No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

*2019-001 LACK OF SEGREGATION OF DUTIES*

**Criteria**

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

**Condition**

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

**Effect**

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

**Recommendation**

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

**Views of Responsible Officials**

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

**WILD RICE SOIL CONSERVATION DISTRICT**  
**Schedule of Findings and Questioned Costs – Continued**

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*2019-002 MATERIAL JOURNAL ENTRIES*

**Criteria**

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

**Condition**

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

**Effect**

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

**Recommendation**

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

**Views of Responsible Officials**

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