

RICHLAND COUNTY SOIL CONSERVATION DISTRICT
Wahpeton, North Dakota

AUDITED FINANCIAL STATEMENTS
Year Ended December 31, 2021

RICHLAND COUNTY SOIL CONSERVATION DISTRICT
Wahpeton, North Dakota

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RICHLAND COUNTY SOIL CONSERVATION DISTRICT
Wahpeton, North Dakota

OFFICIAL DIRECTORY
December 31, 2021

Chris Walberg	Chairman
David Muehler	Vice Chairman
Carson Klosterman	Supervisor
Kelly Klosterman	Supervisor
Michael Haverland	Supervisor
Billie Jo Hinders	District Clerk
Keith Kinneberg	District Technician
Jennifer Klostreich	Watershed Coordinator



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the major fund of the Richland County Soil Conservation District, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Richland County Soil Conservation District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Richland County Soil Conservation District, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Richland County Soil Conservation District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Richland County Soil Conservation District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Richland County Soil Conservation District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Richland County Soil Conservation District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Richland County Soil Conservation District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the official directory but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2022 on our consideration of Richland County Soil Conservation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Richland County Soil Conservation District's internal control over financial reporting and compliance.



Nadine Julson, LLC
Wahpeton, North Dakota
December 2, 2022

RICHLAND COUNTY SOIL CONSERVATION DISTRICT
Wahpeton, North Dakota

STATEMENT OF NET POSITION
December 31, 2021

ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 26,959
Savings	117,163
Due from County	20,865
Due from State Government	10,783
Taxes Receivable	79,185
Total Current Assets	<u>254,955</u>
Capital Assets	
Land	25,245
Depreciable, net of accumulated depreciation	
Buildings and Improvements	30,218
Vehicles and Equipment	70,892
Total Capital Assets	<u>126,355</u>
Total Assets	<u>381,310</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	<u>1,646</u>
Total Current Liabilities	1,646
Due After One Year	
Compensated Absences	<u>12,326</u>
Total Long-Term Liabilities	<u>12,326</u>
Total Liabilities	13,972
NET POSITION	
Net Investment in Capital Assets	126,355
Unrestricted	<u>240,983</u>
Total Net Position	<u>\$ 367,338</u>

See Notes to Financial Statements

RICHLAND COUNTY SOIL CONSERVATION DISTRICT
Wahpeton, North Dakota

STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Conservation of Natural Resources	\$ 383,326	\$ 95,680	\$ 209,177	\$ (78,469)
Information and Education	12,569	1,823	-	(10,746)
General Administration Services	18,479	-	-	(18,479)
	<u>\$ 414,374</u>	<u>\$ 97,503</u>	<u>\$ 209,177</u>	(107,694)
General Revenues				
Taxes				
				96,282
				170
				1,588
				<u>98,040</u>
				Change in Net Position (9,654)
				Net Position, Beginning of Year <u>376,992</u>
				Net Position, End of Year <u>\$ 367,338</u>

See Notes to Financial Statements

RICHLAND COUNTY SOIL CONSERVATION DISTRICT
Wahpeton, North Dakota

BALANCE SHEET – GOVERNMENTAL FUND
December 31, 2021

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 26,959
Savings	117,163
Due from County	20,865
Due from State Government	10,783
Taxes Receivable	<u>79,185</u>
Total Assets	254,955
LIABILITIES	
Accounts Payable	<u>1,646</u>
Total Liabilities	1,646
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue - Property Taxes	<u>79,185</u>
Total Deferred Inflows of Resources	79,185
FUND BALANCE	
Unassigned	<u>174,124</u>
Total Fund Balance	<u>174,124</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u><u>\$ 254,955</u></u>

See Notes to Financial Statements

RICHLAND COUNTY SOIL CONSERVATION DISTRICT
Wahpeton, North Dakota

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE
STATEMENT OF NET POSITION
December 31, 2021

Total Fund Balance - Governmental Fund		\$ 174,124
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	194,002	
Less Accumulated Depreciation	<u>(67,647)</u>	
Net Capital Assets		126,355
Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds.		
		79,185
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as expenditures when due. All liabilities, both current and long-term are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.		
Compensated Absences		<u>(12,326)</u>
Total Net Position - Governmental Activities		<u>\$ 367,338</u>

RICHLAND COUNTY SOIL CONSERVATION DISTRICT
Wahpeton, North Dakota

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND
Year Ended December 31, 2021

	<u>General Fund</u>
REVENUES	
Taxes	\$ 96,282
Intergovernmental	209,177
Charges for Services	97,503
Interest Income	170
Miscellaneous Income	<u>1,588</u>
Total Revenues	404,720
EXPENDITURES	
Current	
Conservation of Natural Resources	368,813
Information and Education	12,569
General Administration Services	<u>18,479</u>
Total Expenditures	<u>399,861</u>
Excess of Revenues over Expenditures	<u>4,859</u>
NET CHANGE IN FUND BALANCE	4,859
FUND BALANCE, BEGINNING OF YEAR	<u>169,265</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 174,124</u></u>

See Notes to Financial Statements

RICHLAND COUNTY SOIL CONSERVATION DISTRICT
Wahpeton, North Dakota

RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

Net Change in Fund Balance - Total Governmental Fund	\$	4,859
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets with a cost greater than \$5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year.		
		(9,715)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.		
Net Increase in Compensated Absences		<u>(4,798)</u>
Change in Net Position of Governmental Activities	\$	<u><u>(9,654)</u></u>

See Notes to Financial Statements

RICHLAND COUNTY SOIL CONSERVATION DISTRICT
Wahpeton, North Dakota

NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Richland County Soil Conservation District, Wahpeton, North Dakota (the District) have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

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

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

Basis of Presentation, Basis of Accounting

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

RICHLAND COUNTY SOIL CONSERVATION DISTRICT
Notes to Financial Statements - Continued

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

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

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

Cash and Cash Equivalents

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

Capital Assets

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

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

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

Vacation Pay, Sick Pay, Severance

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

Fund Balance Classifications

In the fund financial statements, governmental funds report fund balance in the classifications that disclose constraints for which amount in those funds can be spent. These classifications are as follows:

1. Nonspendable
 - a. Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. They include items such as, but not limited to, inventories, prepaid items, or the permanent principal of endowment funds.
2. Restricted
 - b. 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.

RICHLAND COUNTY SOIL CONSERVATION DISTRICT
Notes to Financial Statements - Continued

3. Committed
 - c. 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.
4. Assigned
 - d. 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 Clerk.
5. Unassigned
 - e. 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.

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

Net Position

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

NOTE 2 - LEGAL COMPLIANCE - BUDGETS

Expenditures over Appropriations – The general fund expenditures were less than appropriations by \$42,723.

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, 2021, the District's carrying amounts of deposits were \$144,122 and the bank balances were \$145,121. All bank balances were covered by Federal Depository Insurance.

Credit Risk:

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

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.

RICHLAND COUNTY SOIL CONSERVATION DISTRICT
Notes to Financial Statements - Continued

2. 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.
3. Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation.
4. Obligations of the state.

As of December 31, 2021, the District held no certificates of deposit.

Interest Rate Risk:

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

Concentration of Credit Risk:

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

NOTE 4 - TAXES RECEIVABLE

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

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

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

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

NOTE 5 - DUE FROM COUNTY

Due from county represents the amount of taxes collected prior to year-end that are distributed to the District shortly after December 31, 2021.

RICHLAND COUNTY SOIL CONSERVATION DISTRICT
Notes to Financial Statements - Continued

NOTE 6 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2021.

	Balance January 1, 2021	Additions	Retirements	Balance December 31, 2021
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$ 25,245	\$ -	\$ -	\$ 25,245
Total Capital Assets, not being depreciated	25,245	-	-	25,245
Capital Assets, being depreciated				
Buildings and Improvements	51,175	-	-	51,175
Vehicles and Equipment	125,948	-	(8,366)	117,582
Total Capital Assets, being depreciated	177,123	-	(8,366)	168,757
Less Accumulated Depreciation				
Buildings and Improvements	19,283	1,674	-	20,957
Vehicles and Equipment	47,015	8,041	(8,366)	46,690
Total Accumulated Depreciation	66,298	9,715	(8,366)	67,647
Total Capital Assets Being Depreciated, net	110,825	(9,715)	-	101,110
Governmental Activities Capital Assets, net	<u>\$ 136,070</u>	<u>\$ (9,715)</u>	<u>\$ -</u>	<u>\$ 126,355</u>

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

<u>Governmental Activities</u>	
Conservation of Natural Resources	<u>\$ 9,715</u>
Total	<u>\$ 9,715</u>

NOTE 7 - LONG-TERM LIABILITIES

	Balance January 1, 2021	Additions	Retirements	Balance December 31, 2021
Compensated Absences*	\$ 7,528	\$ 4,798	\$ -	\$ 12,326
Total	<u>\$ 7,528</u>	<u>\$ 4,798</u>	<u>\$ -</u>	<u>\$ 12,326</u>

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

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable consists of amounts owed for goods and services received prior to or owed to taxing authorities at December 31, 2021 and chargeable to the appropriations for the year then ended, but paid subsequent to that date.

NOTE 9 - DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the fund financial statements consist of amounts for which asset recognition criteria have been met.

RICHLAND COUNTY SOIL CONSERVATION DISTRICT
Notes to Financial Statements - Continued

Under the modified accrual basis of accounting, such amounts are measurable but not available and include taxes receivable of \$79,185.

NOTE 10 - RETIREMENT PLAN

The District established a SIMPLE-IRA retirement plan. The District makes a 3% matching contribution for employees who elect to participate in the plan. The costs to the District for the year ending December 31, 2021 was \$3,130.

NOTE 11 - RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), 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 NDRIF for its general liability, auto and public assets insurance coverage. The coverage by NDRIF is limited to losses of \$1,000,000 per occurrence for general liability.

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 \$127,933 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

The District has elected to be self-insured and retain all risk for liabilities resulting from claims of unemployment benefits. During the year ended December 31, 2021, no claims were filed for unemployment benefits.

NOTE 12 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 2, 2022, the date on which the financial statements were available to be issued.

RICHLAND COUNTY SOIL CONSERVATION DISTRICT
Wahpeton, North Dakota

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year Ended December 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes	\$ 97,000	\$ 97,000	\$ 96,282	\$ (718)
Intergovernmental	180,000	180,000	209,177	29,177
Charges for Services	104,000	104,000	97,503	(6,497)
Interest Income	50	50	170	120
Miscellaneous Income	<u>270</u>	<u>270</u>	<u>1,588</u>	<u>1,318</u>
Total Revenues	381,320	381,320	404,720	23,400
EXPENDITURES				
Current				
Conservation of Natural Resources	414,145	414,145	368,813	45,332
Information and Education	12,962	12,962	12,569	393
General Administration Services	<u>15,477</u>	<u>15,477</u>	<u>18,479</u>	<u>(3,002)</u>
Total Expenditures	<u>442,584</u>	<u>442,584</u>	<u>399,861</u>	<u>42,723</u>
Excess (Deficiency) of Revenues over Expenditures	(61,264)	(61,264)	4,859	66,123
FUND BALANCE, BEGINNING OF YEAR			<u>169,265</u>	
FUND BALANCE, END OF YEAR			<u>\$ 174,124</u>	

RICHLAND COUNTY SOIL CONSERVATION DISTRICT
Wahpeton, North Dakota

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2021

NOTE 1 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

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

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



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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 Richland County Soil Conservation District, Wahpeton, North Dakota as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Richland County Soil Conservation District's basic financial statements, and have issued our report thereon dated December 2, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Richland County Soil Conservation District's internal control over financial reporting (internal control) as a basis for designing 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 Richland County Soil Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of current year findings that we consider to be material weaknesses (2021-001 and 2021-002).

Compliance and Other Matters

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

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of current year findings. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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, North Dakota
December 2, 2022

RICHLAND COUNTY SOIL CONSERVATION DISTRICT
Wahpeton, North Dakota

SCHEDULE OF CURRENT YEAR FINDINGS
Year ended December 31, 2021

2021-001 LACK OF SEGREGATION OF DUTIES

Criteria

The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

Condition

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.

Effect or Potential Effect

Without sufficient segregation of duties, the risk significant increases that errors and fraud related to cash receipts, disbursements, and reconciliations, including misappropriation of assets, could occur and not be detected within a timely basis.

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 we understand that this will be a repeated recommendation due to the limited amount of resources of the District. The District will segregate functions where feasible.

RICHLAND COUNTY SOIL CONSERVATION DISTRICT
Schedule of Current Year Findings – Continued

2021-002 FINANCIAL STATEMENT PREPARATION

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 or Potential 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

We recommend the District be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. As a compensating control, the District should establish an internal control policy to document annual review of the financial statements and to review a financial statement disclosure checklist.

Views of Responsible Officials

The District will continue to have the auditor prepare the financial statements. It is currently not cost-effective for management to perform the preparation.

RICHLAND COUNTY SOIL CONSERVATION DISTRICT
Wahpeton, North Dakota

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended December 31, 2021

Prior Financial Statement Findings

2020-001

A material weakness was reported for inadequate segregation of duties.

Corrective Action Plan

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. This material weakness continues to exist under the current audit findings as finding number 2021-001.

2020-002

A material weakness was reported for financial statement preparation.

Corrective Action Plan

The accounting functions should be reviewed to determine if it is feasible for the District to prepare its own financial statements. This material weakness continues to exist under the current audit findings as finding number 2021-002.