

AUDIT REPORT

BURLEIGH COUNTY SOIL CONSERVATION DISTRICT
Bismarck, North Dakota

For the Year Ended December 31, 2017

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

BURLEIGH COUNTY SOIL CONSERVATION DISTRICT
Bismarck, North Dakota

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BURLEIGH COUNTY SOIL CONSERVATION DISTRICT
Bismarck, North Dakota

OFFICIALS

David Bauer	Chairman
Jeremy Saeman	Vice-Chairman
Linn Berg	Supervisor
Seth Williams	Supervisor
Tyler Lang	Supervisor
Cindy Makedonski	District Clerk

Rath & Mehrer, P.C.

Certified Public Accountants

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

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Bismarck, ND 58501
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INDEPENDENT AUDITOR'S REPORT

Governing Board
Burleigh County Soil Conservation District
Bismarck, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Burleigh County Soil Conservation District, Bismarck, North Dakota, as of and for the year ended December 31, 2017, 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 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 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 Burleigh County Soil Conservation District, Bismarck, North Dakota, as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8, budgeting comparison information on pages 28 through 30 and the schedule of employer's share of net pension liability on page 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2018 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 23, 2018

BURLEIGH COUNTY SOIL CONSERVATION DISTRICT

Management's Discussion and Analysis

December 31, 2017

The Management's Discussion and Analysis (MD&A) of the Burleigh County Soil Conservation District's financial performance provides an overall review of the district's financial activities for the fiscal year ended December 31, 2017. The intent of the MD&A is to look at the district's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

The MD&A is a new element of the Required Supplementary Information specified in the Government Accounting Standards Board's (GASB) Statement No. 34 "*Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*". Certain comparative information between the current fiscal year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended December 31, 2017 are as follows:

- * Net position of the soil conservation district increased \$127,905 as a result of the current year's operations.
- * Governmental net position as of the end of the fiscal year totaled \$802,402.
- * Total revenues from all sources were \$885,873.
- * Total expenses were \$757,968.
- * The soil conservation district's general fund had \$884,457 in total revenues and \$775,910 in total expenditures. Overall, the general fund balance increased by \$108,548 for the year ended December 31, 2017.

USING THIS ANNUAL REPORT

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand the soil conservation district as a financial whole. The statements then proceed to provide an increasingly detailed look at financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole soil conservation district, presenting both an aggregate view of the soil conservation district's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the soil conservation district's general fund.

REPORTING ON THE SOIL CONSERVATION DISTRICT AS A WHOLE

Statement of Net Position and Statement of Activities

These statements are summaries of all the funds used by the soil conservation district to provide programs and activities and attempt to answer the question "How did the soil conservation district do financially during the year ended December 31, 2017?"

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

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

These two statements report the soil conservation district's net position and changes in that position. This change in net position is important because it tells the reader whether, for the soil conservation district as a whole, the financial position of the soil conservation district has improved or deteriorated. The causes of this change may be the result of many factors, some financial and some not.

In the Statement of Net Position and the Statement of Activities, the soil conservation district reports governmental activities. Governmental activities are the activities where most of the soil conservation district's programs and services are reported including, but not limited to, conservation of natural resources.

REPORTING ON THE SOIL CONSERVATION DISTRICT'S MOST SIGNIFICANT FUNDS

Balance Sheet - Governmental Funds

The soil conservation district uses one fund to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and donations). The fund basis financial statements allow the soil conservation district to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the soil conservation district's major fund. Using the criteria established by GASB Statement No. 34, the soil conservation district's general fund is considered a "major fund".

FINANCIAL ANALYSIS OF THE SOIL CONSERVATION DISTRICT AS A WHOLE

Table I provides a summary of the soil conservation district's net position as of December 31, 2017. A comparative analysis of district-wide data is presented for both current and prior year.

As indicated in the financial highlights above, the soil conservation district's net position increased by \$127,905 for the year ended December 31, 2017. Changes in net position may serve over time as a useful indicator of the soil conservation district's financial position.

The soil conservation district's net position of \$802,402 is segregated into two separate categories. Net investment in capital assets totals \$734,046. It should be noted that these assets are not available for future spending. The remaining unrestricted component of net position is \$68,356 which includes (\$123,888) relating to the reporting of it's share of the unfunded liability for the North Dakota Public Employees Retirement System as required by GASB Statement No. 68. The net amount of \$192,244 is available to meet the soil conservation district's ongoing obligations.

Table I
 Net Position
 As of December 31, 2017
 (With comparative totals for December 31, 2016)

	2017	2016
<u>Assets</u>		
Current Assets	308,757	152,826
Capital Assets (net of accumulated depreciation)	734,046	701,430
Total Assets	1,042,803	854,256
Deferred Outflows of Resources	67,921	48,892
<u>Liabilities</u>		
Current Liabilities	2,044	
Long-Term Liabilities	11,419	9,955
Net Pension Liability	173,966	129,632
Total Liabilities	187,429	139,587
Deferred Inflows of Resources	120,892	89,064
<u>Net Position</u>		
Net Investment in Capital Assets	734,046	701,430
Unrestricted	68,356	(26,933)
Total Net Position	802,402	674,497
	=====	=====

Table II shows the changes in net position for the fiscal year ended December 31, 2017. A comparative analysis of district-wide data is presented for both current and prior year.

Table II
 Changes in Net Position
 As of December 31, 2017
 (With comparative totals for December 31, 2016)

	2017	2016
Revenues		
<u>Program Revenues:</u>		
Charges for Services	249,538	249,036
Operating Grants and Contributions	331,997	108,838
<u>General Revenues:</u>		
Property Taxes	245,240	120,935
Other Taxes	40,018	18,852
State Aid - Unrestricted	14,992	14,034
Interest Earnings and Other Revenue	4,088	8,160
Gain on Sale of Capital Assets		1,161
 Total Revenues	 885,873	 521,016
 Expenses		
Conservation of Natural Resources	757,968	596,130
 Net Change in Position	 127,905	 (75,114)

Property taxes constituted 28%, operating grants and contributions 38% and charges for services made up 29% of the total revenues of governmental activities of the soil conservation district for the fiscal year ended December 31, 2017.

Conservation of natural resources constituted 100% of total expenses for governmental activities during the fiscal year ended December 31, 2017.

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

Table III
 Total and Net Cost of Services
 As of December 31, 2017

	Total Cost Year Ended Dec. 31, 2017	Net Cost Year Ended Dec. 31, 2017
Conservation of Natural Resources	757,968	331,997
	=====	=====

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The purpose of the soil conservation district's governmental funds is to provide information on the near-term inflows, outflows and balances of available resources. Unassigned fund balance generally can be used as a measure of the soil conservation district's net resources available for spending as of the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting. The soil conservation district's general fund had total revenue of \$884,457 and expenditures of \$775,910 for the year ended December 31, 2017. As of December 31, 2017, the unassigned fund balance of the soil conservation district's general fund was \$201,240.

GENERAL FUND BUDGET HIGHLIGHTS

During the course of fiscal year 2017, the soil conservation district did not amend the general fund budget.

Actual revenue for the year ended December 31, 2017 was \$112,398 more than budgeted. This variance is due to the district not budgeting for various state and federal grants and overestimating the total sales and charges for services for tree planting and weed barrier installation. Actual expenditures for the year ended December 31, 2017 were under budget by \$117,889. This budget variance was due to the district overestimating the appropriations for total payroll and capital outlay.

CAPITAL ASSETS

As of December 31, 2017, the soil conservation district had \$734,046 invested in capital assets. Table IV shows the balances as of December 31, 2017.

Table IV
Capital Assets
(Net of Accumulated Depreciation)
As of December 31, 2017
(With comparative totals for December 31, 2016)

	<u>2017</u>	<u>2016</u>
Land	225,000	225,000
Buildings and Improvements	368,414	379,642
Machinery and Vehicles	140,632	96,788
Total (net of depreciation)	<u>734,046</u>	<u>701,430</u>
	=====	=====

This total represents an increase of \$32,616 in capital assets from January 1, 2017. For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 7 to the audited financial statements which follow this analysis.

DEBT ADMINISTRATION

As of December 31, 2017, the soil conservation district had \$11,419 in outstanding debt. During fiscal year 2017, the district did not issue any new long-term debt obligations.

For a detailed breakdown of the long-term debt, readers are referred to Note 10 to the audited financial statements which follow this analysis.

CONTACTING THE SOIL CONSERVATION DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our patrons, taxpayers and creditors with a general overview of the soil conservation district's finances and to show the soil conservation district's accountability for the money it receives to provide the best possible services to residents of Burleigh County. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Cindy Makedonski, District Clerk, Burleigh County Soil Conservation District, Bismarck, ND 58501.

BURLEIGH COUNTY SOIL CONSERVATION DISTRICT
Bismarck, North Dakota

Statement of Net Position
December 31, 2017

	Governmental Activities
<u>ASSETS:</u>	
Cash	60,000.01
Accounts Receivable	9,050.28
Taxes Receivable	2,423.76
Due from County Treasurer	103,633.32
Intergovernmental Receivable	133,649.54
Capital Assets (net of accumulated depreciation):	
Land	225,000.00
Buildings and Improvements	368,414.00
Machinery and Vehicles	140,632.00
Total Capital Assets	734,046.00
 Total Assets	 1,042,802.91
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>	
Changes in Resources Related to Pensions	67,921.00
 <u>LIABILITIES:</u>	
Sales Tax Payable	2,044.12
Long-Term Liabilities:	
Due After One Year:	
Compensated Absences Payable	11,418.92
Net Pension Liability	173,966.00
Total Liabilities	187,429.04
<u>DEFERRED INFLOWS OF RESOURCES:</u>	
Unavailable Revenue	103,049.41
Changes in Resources Related to Pensions	17,843.00
Total Deferred Inflows of Resources	120,892.41
<u>NET POSITION:</u>	
Net Investment in Capital Assets	734,046.00
Unrestricted	68,356.46
Total Net Position	802,402.46

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

BURLEIGH COUNTY SOIL CONSERVATION DISTRICT
Bismarck, North Dakota

Statement of Activities
For the Year Ended December 31, 2017

	Program Revenues		Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions
			Revenue and Changes in Net Position
			Governmental Activities
Governmental Activities:			
Conservation of Natural Resources	757,967.53	249,537.75	331,997.25
			(176,432.53)
=====			
General Revenues:			
Taxes:			
Property taxes; levied for general purposes			245,239.75
Telecommunications Tax			1,586.01
12% tax credit			34,866.09
Homestead tax credit			2,212.53
Disabled veterans tax credit			1,353.35
State aid - not restricted to specific program			14,991.72
Earnings on investments and other revenue			4,088.41
Total General Revenues			304,337.86
Change in Net Position			127,905.33
Net Position - January 1			674,497.13
Net Position - December 31			802,402.46
=====			

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

BURLEIGH COUNTY SOIL CONSERVATION DISTRICT
Bismarck, North Dakota

Balance Sheet
Governmental Fund
December 31, 2017

	General
<u>ASSETS:</u>	
Cash	60,000.01
Accounts Receivable	9,050.28
Taxes Receivable	2,423.76
Due from County Treasurer	103,633.32
Intergovernmental Receivable	133,649.54
	308,756.91
	308,756.91
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>	
<u>Liabilities:</u>	
Sales Tax Payable	2,044.12
 <u>Deferred Inflows of Resources:</u>	
Unavailable Revenue	105,473.17
	107,517.29
 <u>Fund Balance:</u>	
Unassigned	201,239.62
	201,239.62
Total Liabilities, Deferred Inflows of Resources and Fund Balance	308,756.91

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

BURLEIGH COUNTY SOIL CONSERVATION DISTRICT
Bismarck, North Dakota

Reconciliation of Governmental Fund Balance Sheet
to the Statement of Net Position
For the Year Ended December 31, 2017

Total Fund Balance	201,239.62
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Total net position reported for government 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	1,126,781.00	
Less Accumulated Depreciation	(392,735.00)	
		734,046.00
Net Capital Assets		734,046.00

Property taxes 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.	2,423.76
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The deferred outflows and inflows of resources reported on the statement of net position are the result of changes in resources related to pensions and do not affect current financial resources.

Total Deferred Outflows of Resources	67,921.00	
Total Deferred Inflows of Resources	(17,843.00)	
		50,078.00
Net Deferred Outflows/Inflows of Resources		50,078.00

Long-term liabilities applicable to the soil conservation 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 an expenditure when due. All liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2017 are:

Compensated Absences Payable	(11,418.92)	
Net Pension Liability	(173,966.00)	
		(185,384.92)
Total Long-Term Liabilities		(185,384.92)

Total Net Position of Governmental Activities	802,402.46

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

BURLEIGH COUNTY SOIL CONSERVATION DISTRICT
Bismarck, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended December 31, 2017

	General
Revenues:	
<u>Taxes</u>	
General Property Taxes	243,824.08
Telecommunication Taxes	1,586.01
Total Taxes	245,410.09
<u>Licenses, Permits and Fees</u>	
Registration Fees	8,368.90
<u>Intergovernmental</u>	
319 Program Grant	43,047.50
USDA Grant	228,678.01
Game and Fish Grant	28,989.00
Other Grants	26,282.74
State Aid	14,991.72
12% State Tax Credit	34,866.09
Homestead Tax Credit	2,212.53
Disabled Veterans Tax Credit	1,353.35
Total Intergovernmental	380,420.94
<u>Charges for Services</u>	
Tree Planting	54,366.55
Weed Barrier Installation	100,008.99
Marshall Saw/Tree Root Puller	3,000.00
Other Charges	2,249.30
Total Charges for Services	159,624.84
<u>Miscellaneous</u>	
Interest	97.58
Sale of Crops	15,944.66
Sale of Livestock	22,317.62
Sale of Trees, Plants and Materials	43,281.73
Reimbursements	1,764.18
Sale of Assets	500.00
Miscellaneous	6,726.65
Total Miscellaneous	90,632.42
Total Revenues	884,457.19

(continued)

BURLEIGH COUNTY SOIL CONSERVATION DISTRICT
Bismarck, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended December 31, 2017
(continued)

	General
<u>Expenditures:</u>	
<u>Conservation of Natural Resources</u>	
Payroll and Fringe Benefits	316,854.06
Supervisor Expense	9,020.70
Insurance	3,205.99
Office Expenses	1,035.84
Utilities	8,111.83
Audit	1,875.00
Dues and Subscriptions	2,225.00
Newsletter	4,263.46
Conservation Education	19,680.03
Workshops and Training	1,878.60
Repairs/Maintenance/Fuel	18,446.13
Soil Health Foodweb	53,786.04
Menoken Farm	125,372.77
Storage and Warehousing	3,000.00
Sales Taxes	3,997.81
Miscellaneous	3,444.29
Cost of Trees, Weed Barrier and Supplies	126,565.98
Total Conservation of Natural Resources	702,763.53
<u>Capital Outlay</u>	
Total	73,146.00
Total Expenditures	775,909.53
Net Change in Fund Balances	108,547.66
Fund Balance - January 1	92,691.96
Fund Balance - December 31	201,239.62

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

BURLEIGH COUNTY SOIL CONSERVATION DISTRICT
Bismarck, North Dakota

Reconciliation of Government Fund Statement of Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities
For the Year Ended December 31, 2017

Net Change in Fund Balance	108,547.66
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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 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	73,146.00	
Current Year Depreciation Expense	(40,530.00)	32,616.00

Some expenses reported on 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 Payable	(1,464.00)	
Net Increase to Pension Expense	(13,210.00)	(14,674.00)

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

Net Increase in Taxes Receivable		1,415.67

Change in Net Position of Governmental Activities	127,905.33
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The accompanying notes are an integral part of these financial statements.

BURLEIGH COUNTY SOIL CONSERVATION DISTRICT
Bismarck, North Dakota

Notes to the Financial Statements
December 31, 2017

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Burleigh County Soil Conservation District have been prepared in conformity with accounting principles generally accepted in the United States of America 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 district is financially accountable and other organizations for which the nature and significance of their relationships with the district are such that exclusion would cause the 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. This criteria includes 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 Burleigh 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, Burleigh 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 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 major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

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 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.

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 funds 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 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 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 plant 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 \$2,000 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 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 and Improvements	20 to 75 years
Machinery and Vehicles	7 to 10 years

F. Compensated Absences

Vested or accumulated sick leave is reported in the government-wide statement of net position. Compensation for unused sick leave will be granted to all permanent, full-time employees upon termination. The district's personnel policy requires a payout of 25% of the sick leave balance at the employees current rate of pay. Unused sick leave accumulates without limit. In addition, unused annual leave is reported in the government-wide statement of net position. Compensation for unused annual leave is granted to full-time staff upon termination of employment with the district. Compensated absences represent the liability of the district for these employee benefits.

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. Pension

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

I. 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 soil conservation district's 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 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 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 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.

J. 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 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 investments 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, 2017 the district's carrying amount of deposits was \$60,000 and the bank balance was \$66,139. Of the bank balance, \$66,139 was 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.
- (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 district does not have a limit on the amount the district may invest in any one issuer.

Note 3 ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts owed by individuals for the sale of grass seeds, plants and materials and for services performed by the soil conservation district due at December 31, 2017. No allowance has been established for uncollectible accounts.

Note 4 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 5 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 6 INTERGOVERNMENTAL RECEIVABLE

The intergovernmental receivable consists of an amount due from the United States Department of Agriculture to reimburse the soil conservation district for expenses related to the Healing the Land grant.

Note 7 CAPITAL ASSETS

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

	Balance January 1	Increases	Decreases	Balance December 31
Governmental Activities:				
Capital assets not being depreciated:				
Land	225,000			225,000
Capital assets being depreciated:				
Buildings & Improv.	443,780			443,780
Machinery & Vehicles	384,855	73,146		458,001
Total	828,635	73,146		901,781
Less accumulated depreciation for:				
Buildings & Improv.	64,138	11,228		75,366
Machinery & Vehicles	288,067	29,302		317,369
Total	352,205	40,530		392,735
Total Capital Assets Being Depreciated, Net	476,430	32,616		509,046
Governmental Activities Capital Assets, Net	701,430	32,616	-0-	734,046

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

Conservation of Natural Resources	40,530.00
	=====

Note 8 SALES TAX PAYABLE

Sales tax payable consists of taxes collected on sales during 2017, but remitted to the State of North Dakota subsequent to December 31, 2017.

Note 9 UNAVAILABLE REVENUE

Unavailable revenue on the fund financial statements consist 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 consist of prepaid property taxes.

Note 10 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the year ended December 31, 2017, the following changes occurred in liabilities reported in the long-term liabilities - Governmental Activities:

	Balance <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>December 31</u>	Due Within <u>One Year</u>
Compensated					
Absences Payable *	9,955	1,464	-0-	11,419	-0-
	=====	=====	=====	=====	=====

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

Note 11 RISK MANAGEMENT

The Burleigh 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, automobile and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile and \$284,430 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 \$224,000 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 PENSION PLAN

North Dakota Public Employees Retirement System (Main System)

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

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

Responsibility for administration of the NDPERS benefits program is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by active membership of the NDPERS system; and one member elected by the retired public employees.

Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service -
Greater of one percent of monthly salary or \$25
- 13 to 25 months of service -
Greater of two percent of monthly salary or \$25
- 25 to 36 months of service -
Greater of three percent of monthly salary or \$25
- Longer than 36 months of service -
Greater of four percent of monthly salary or \$25

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

At December 31, 2017, the Burleigh County Soil Conservation District reported a liability of \$173,966 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability was based on the district's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2016 the district's proportion was .017850 percent, which was a decrease of .001214 from its proportion measured as of June 30, 2015.

For the year ended December 31, 2017 the district recognized pension expense of \$24,903. At December 31, 2017 the district reported deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	-----	-----
Differences between expected and actual experience	2,613	1,611
Changes in assumptions	16,037	8,643
Net difference between projected and actual earnings on pension plan investments	24,271	
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,442	7,589
District contributions subsequent to the measurement date (see below)	11,558	
Total	<u>67,921</u>	<u>17,843</u>
	=====	=====

\$11,558 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018.

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

Year ended June 30:	

2018	7,701
2019	7,701
2020	12,995
2021	8,917
2022	1,206
Thereafter	0

Actuarial assumptions. The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	4.50% per annum
Investment rate of return	8.00%, net of investment expenses.
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Morality Table with ages set back one year for males (not set back for females) multiplied by 125%.

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2016, funding actuarial valuation for NDPERS.

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
-----	-----	-----
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Equity Income	5%	0.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Discount rate. The discount rate used to measure the total pension liability was 8 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2016, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

Sensitivity of the district's proportionate share of the net pension liability to changes in the discount rate. The following presents the district's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the district's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Rate (8%)	1% Increase (9%)
	-----	-----	-----
The district's proportionate share of the net pension liability	246,767	173,966	112,627

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

BURLEIGH COUNTY SOIL CONSERVATION DISTRICT
Bismarck, North Dakota

Budgetary Comparison Schedule
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
<u>Taxes</u>				
General Property Taxes	254,509.12	254,509.12	243,824.08	(10,685.04)
Telecommunication Taxes			1,586.01	1,586.01
Total Taxes	254,509.12	254,509.12	245,410.09	(9,099.03)
<u>Licenses, Permits and Fees</u>				
Registration Fees			8,368.90	8,368.90
<u>Intergovernmental</u>				
319 Program Grant	50,000.00	50,000.00	43,047.50	(6,952.50)
USDA Grant			228,678.01	228,678.01
Game and Fish Grant			28,989.00	28,989.00
Other Grants	8,146.00	8,146.00	26,282.74	18,136.74
State Aid			14,991.72	14,991.72
12% State Tax Credit	34,754.89	34,754.89	34,866.09	111.20
Homestead Tax Credit			2,212.53	2,212.53
Disabled Veterans Tax Credit			1,353.35	1,353.35
Total Intergovernmental	92,900.89	92,900.89	380,420.94	287,520.05
<u>Charges for Services</u>				
Tree Planting	100,000.00	100,000.00	54,366.55	(45,633.45)
Weed Barrier Installation	226,872.24	226,872.24	100,008.99	(126,863.25)
Marshall Saw/Tree Root Puller	3,000.00	3,000.00	3,000.00	
Other Charges			2,249.30	2,249.30
Total Charges for Services	329,872.24	329,872.24	159,624.84	(170,247.40)
<u>Miscellaneous</u>				
Interest	15.00	15.00	97.58	82.58
Sale of Crops	3,000.00	3,000.00	15,944.66	12,944.66
Sale of Livestock	18,500.00	18,500.00	22,317.62	3,817.62
Sale of Trees, Plants and Materials	65,896.00	65,896.00	43,281.73	(22,614.27)
Reimbursements			1,764.18	1,764.18
Sale of Assets	1,000.00	1,000.00	500.00	(500.00)
Miscellaneous	6,365.71	6,365.71	6,726.65	360.94
Total Miscellaneous	94,776.71	94,776.71	90,632.42	(4,144.29)
Total Revenues	772,058.96	772,058.96	884,457.19	112,398.23

(continued)

BURLEIGH COUNTY SOIL CONSERVATION DISTRICT
Bismarck, North Dakota

Budgetary Comparison Schedule
For the Year Ended December 31, 2017
(continued)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Expenditures:</u>				
<u>Conservation of Natural Resources</u>				
Payroll and Fringe Benefits	418,069.22	418,069.22	316,854.06	101,215.16
Supervisor Expense	12,000.00	12,000.00	9,020.70	2,979.30
Insurance	5,000.00	5,000.00	3,205.99	1,794.01
Office Expenses	8,200.00	8,200.00	1,035.84	7,164.16
Utilities			8,111.83	(8,111.83)
Audit			1,875.00	(1,875.00)
Dues and Subscriptions	3,000.00	3,000.00	2,225.00	775.00
Newsletter	6,500.00	6,500.00	4,263.46	2,236.54
Conservation Education	30,000.00	30,000.00	19,680.03	10,319.97
Workshops and Training	2,000.00	2,000.00	1,878.60	121.40
Repairs/Maintenance/Fuel	17,500.00	17,500.00	18,446.13	(946.13)
Soil Health Foodweb			53,786.04	(53,786.04)
Menoken Farm	91,473.20	91,473.20	125,372.77	(33,899.57)
Storage and Warehousing			3,000.00	(3,000.00)
Sales Taxes	2,800.00	2,800.00	3,997.81	(1,197.81)
Miscellaneous	6,000.00	6,000.00	3,444.29	2,555.71
Cost of Trees, Weed Barrier and Supplies	116,255.95	116,255.95	126,565.98	(10,310.03)
Total Conservation of Natural Resources	718,798.37	718,798.37	702,763.53	16,034.84
<u>Capital Outlay</u>				
Total	175,000.00	175,000.00	73,146.00	101,854.00
Total Expenditures	893,798.37	893,798.37	775,909.53	117,888.84
Net Change in Fund Balance	(121,739.41)	(121,739.41)	108,547.66	230,287.07
Fund Balance - January 1	92,691.96	92,691.96	92,691.96	
Fund Balance - December 31	(29,047.45)	(29,047.45)	201,239.62	230,287.07

BURLEIGH COUNTY SOIL CONSERVATION DISTRICT
Bismarck, North Dakota

Notes to the Budgetary Comparison Schedule
December 31, 2017

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 budget during the year ended December 31, 2017.

BURLEIGH COUNTY SOIL CONSERVATION DISTRICT
Bismarck, North Dakota

Schedule of Employer's Share of Net Pension Liability
ND Public Employees Retirement System
Last 10 Fiscal Years*

	2017	2016	2015
	-----	-----	-----
District's proportion of the net pension liability	0.017850%	0.019064%	0.016218%
District's proportionate share of the net pension liability	173,966	129,632	102,939
District's covered-employee payroll	179,704	169,833	181,850
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	96.81%	76.33%	56.61%
Plan fiduciary net position as a percentage of the total pension liability	70.46%	77.15%	77.70%

Schedule of Employer Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years*

	2017	2016	2015
	-----	-----	-----
Statutorily required contribution	12,795	12,092	12,056
Contributions in relation to the statutorily required contribution	(12,795)	(12,092)	(12,056)
Contribution deficiency (excess)	0	0	0
District's covered-employee payroll	179,704	169,833	181,850
Contributions as a percentage of covered-employee payroll	7.12%	7.12%	6.63%

* Complete data for this schedule is not available prior to 2015.

- For changes of assumptions, see Note 12 to the financial statements.

Rath & Mehrer, P.C.

Certified Public Accountants

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Ken Mehrer, CPA
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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
Burleigh County Soil Conservation District
Bismarck, 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 Burleigh County Soil Conservation District, Bismarck, North Dakota, as of and for the year ended December 31, 2017, 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 23, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit 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 audit 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 II-1 and II-2, 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 audit, 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 audit 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 23, 2018

BURLEIGH COUNTY SOIL CONSERVATION DISTRICT
Bismarck, North Dakota

Schedule of Findings and Responses
For the Year Ended December 31, 2017

SECTION I - SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:

Governmental Activities	Unmodified
Major Governmental Fund	Unmodified

Internal control over financial reporting:

* Material weakness(es) identified?	_____ Yes	___X___ No
* Significant deficiency(ies) identified?	___X___ Yes	_____ None Reported
Noncompliance Material to financial statements noted?	_____ Yes	___X___ No

SECTION II - FINANCIAL STATEMENT FINDINGS:

Significant Deficiencies

1. Segregation of Duties

Condition: The district has one person responsible for most accounting functions.

Criteria: There should be sufficient accounting personnel so duties of employees are segregated. The segregation of duties would provide better control over assets of the district.

Effect: There is no segregation of duties as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger and prepare financial statements. This increases the risk of misstatement of the district's financial condition.

Recommendation: Due to the size of the district, it is not feasible to obtain proper separation of duties and no recommendation will be made.

Client Response: No response is considered necessary.

2. Financial Statement Preparation

Condition: The district's financial statements as of December 31, 2017 are prepared by the district's external auditors.

Criteria: A good system of internal controls requires the 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 district must maintain knowledge of current accounting principles and required financial statement disclosures.

Effect: A control system is not in place to determine that the financial statements are properly stated and in compliance with accounting principles generally accepted in the United States of America.

Recommendation: We recommend the district obtain the necessary knowledge of current accounting principles to prepare financial statements or outsource the preparation of its financial statements.

Client Response: It is not cost effective for the district to prepare its own financial statements.