



Cass County Soil Conservation District

Fargo, North Dakota

Audit Report

For the Year Ended December 31, 2017

JOSHUA C. GALLION
STATE AUDITOR

Office of the State Auditor
Division of Local Government

CASS COUNTY SOIL CONSERVATION DISTRICT
Fargo, North Dakota

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For the Year Ended December 31, 2017

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CASS COUNTY SOIL CONSERVATION DISTRICT
Fargo, North Dakota

December 31, 2017

OFFICIALS

Curtis Knutson

Chairman

Terry Hoffmann
Warren Solberg
Brooks Whitmore
Brad Kellerman

Vice Chairman
Board Member
Board Member
Board Member

Jeff Miller
Amy Cole

Operations Coordinator
District Clerk



STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

INDEPENDENT AUDITOR'S REPORT

Soil Conservation District Commissioners
Cass County Soil Conservation District
Fargo, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and the major fund of Cass County Soil Conservation District, Fargo, 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund of Cass County Soil Conservation District, Fargo, 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.

Emphasis of a Matter

The Cass County Soil Conservation District adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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.

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information, pension & OPEB schedules, and notes to the required supplementary information* on pages 25-28 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 March 29, 2018 on our consideration of Cass 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 Cass County Soil Conservation District's internal control over financial reporting and compliance.

/s/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
March 29, 2018

CASS COUNTY SOIL CONSERVATION DISTRICT
Fargo, North Dakota

STATEMENT OF NET POSITION
December 31, 2017

<u>ASSETS:</u>	
Cash	\$ 333,449
Accounts Receivable	10,456
Intergovernmental Receivable	20,214
Due from County	615
Prepaid Assets	6,704
Taxes Receivable	2,800
Capital Assets (being depreciated):	
Buildings and Other Improvements	179,702
District Equipment	95,905
Total Capital Assets	<u>\$ 275,607</u>
Total Assets	<u>\$ 649,845</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>	
Pension & OPEB	<u>\$ 180,977</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 830,822</u>
<u>LIABILITIES:</u>	
Accounts Payable	\$ 8,830
Salaries Payable	8,297
Payroll Liability	6,439
Sales Tax Liability	4,912
Other Liabilities	2,445
Long-Term Liabilities:	
Due Within One Year:	
Compensated Absences Payable	1,870
Due After One Year:	
Compensated Absences Payable	16,831
Net Pension & OPEB Liability	<u>345,005</u>
Total Liabilities	<u>\$ 394,629</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Pension & OPEB	<u>\$ 14,151</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 408,780</u>
<u>NET POSITION:</u>	
Net Investment in Capital Assets	\$ 275,607
Restricted for:	
Conservation of Natural Resources	<u>146,435</u>
Total Net Position	<u>\$ 422,042</u>

The notes to the financial statements are an integral part of this statement.

CASS COUNTY SOIL CONSERVATION DISTRICT
 Fargo, North Dakota

STATEMENT OF ACTIVITIES
 For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
		Services	Grants and	Changes in
			Contributions	Net Position
<u>Governmental Activities:</u>				
Conservation of Natural Resources	\$ 684,717	\$ 226,835	\$ 74,069	\$ (383,813)
<u>General Revenues:</u>				
Taxes:				
Property taxes				\$ 288,992
Interest				226
Miscellaneous Revenue				3,460
Total General Revenues				<u>\$ 292,678</u>
Change in Net Position				<u>\$ (91,135)</u>
Net Position - January 1				\$ 536,711
Prior Period Adjustment				<u>(23,534)</u>
Net Position - January 1, as restated				<u>\$ 513,177</u>
Net Position - December 31				<u>\$ 422,042</u>

The notes to the financial statements are an integral part of this statement.

CASS COUNTY SOIL CONSERVATION DISTRICT
Fargo, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2017

<u>ASSETS</u>	
Cash	\$ 333,449
Accounts Receivable	10,456
Intergovernmental Receivable	20,214
Due from County	615
Prepaid Assets	6,704
Taxes Receivable	<u>2,800</u>
Total Assets	<u>\$ 374,238</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>	
<u>Liabilities:</u>	
Accounts Payable	\$ 8,830
Salaries Payable	8,297
Payroll Liability	6,439
Sales Tax Liability	4,912
Other Liabilities	<u>2,445</u>
Total Liabilities	<u>\$ 30,923</u>
<u>Deferred Inflows of Resources:</u>	
Taxes Receivable	<u>\$ 2,800</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 33,723</u>
<u>Fund Balances:</u>	
<u>Restricted for:</u>	
Conservation of Natural Resources	<u>\$ 340,515</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 374,238</u>

The notes to the financial statements are an integral part of this statement.

CASS COUNTY SOIL CONSERVATION DISTRICT
Fargo, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2017

Total *Fund Balances* for Governmental Funds \$ 340,515

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	\$ 612,668	
Less Accumulated Depreciation	<u>(337,061)</u>	275,607

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 deferred inflows of resources in the funds. 2,800

Net Pension and OPEB obligations are not due and payable in the current period, and therefore are not reported in the funds. (345,005)

Deferred outflows and inflows of resources related to pensions & OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Pension and OPEB Obligations	\$ 180,977	
Deferred Inflows Related to Pension and OPEB Obligations	<u>(14,151)</u>	166,826

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. All liabilities-both current and long-term are reported in the statement of net position. Balance at December 31, 2017 is:

Compensated Absences	<u>(18,701)</u>
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Total Net Position of Governmental Activities	<u>\$ 422,042</u>
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The notes to the financial statements are an integral part of this statement.

CASS COUNTY SOIL CONSERVATION DISTRICT
Fargo, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

<u>Revenues:</u>	
Taxes	\$ 289,051
Intergovernmental	74,069
Charges for Services	226,835
Interest Income	226
Miscellaneous	<u>3,460</u>
Total Revenues	<u>\$ 593,641</u>
<u>Expenditures:</u>	
Current:	
Payroll	\$ 320,835
Cost of Goods Sold	120,470
Information and Communication	86,404
Contributions	6,202
Maintenance and Repair	18,138
Professional Fees	11,500
Other	<u>81,808</u>
Total Expenditures	<u>\$ 645,357</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (51,716)</u>
Fund Balance - January 1	\$ 400,397
Fund Balance Adjustment	<u>(8,166)</u>
Fund Balance - January 1, As Restated	<u>\$ 392,231</u>
Fund Balance - December 31	<u><u>\$ 340,515</u></u>

The notes to the financial statements are an integral part of this statement.

CASS COUNTY SOIL CONSERVATION DISTRICT
Fargo, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

Net Change in *Fund Balances* - Total Governmental Funds \$ (51,716)

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 outlays exceeded depreciation in the current year.

Current Year Capital Outlay	\$ 66,500	
Current Year Depreciation Expense	<u>(41,167)</u>	25,333

In the Statement of Activities, the loss or gain on sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from these sales.

Loss on Disposals of Capital Assets	(19,655)
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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	(4,779)
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The Net Pension & OPEB Liability, Related Deferred Outflows of Resources and Deferred Inflows of Resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Net Increase in Net Pension and OPEB Liability	\$(135,936)	
Net Increase in Deferred Outflows of Resources	92,914	
Net Decrease in Deferred Inflows of Resources	<u>2,763</u>	(40,259)

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. This consists of the decrease in taxes receivable.

(59)

Change in Net Position of Governmental Activities \$ (91,135)

The notes to the financial statements are an integral part of this statement.

CASS COUNTY SOIL CONSERVATION DISTRICT
Fargo, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Cass County Soil Conservation District, North Dakota, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the soil conservation district's accounting policies are described below.

A. Reporting Entity

The accompanying financial statements present the activities of the Cass County Soil Conservation District. The soil conservation district has considered all potential component units for which the soil conservation district is financially accountable and other organizations for which the nature and significance of their relationships with the soil conservation district such that exclusion would cause the soil conservation district's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Cass 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 the Cass County Soil Conservation District.

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

B. Government-wide and fund financial statements

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, and other non-exchange transactions.

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

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

The soil conservation district reports the following major governmental fund:

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

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

Government-wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. 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. Non-exchange 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. The governmental fund is 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 long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of 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-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted 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.

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

D. Cash and Investments

Cash consists of amounts in demand deposits and money market accounts.

The investments consist of certificates of deposit stated at cost with maturities in excess of 90 days.

E. Capital Assets

Capital assets include property, plant, and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical 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:

ASSETS	YEARS
Buildings & Other Improvements	15 - 50
Vehicles and Machinery	5 – 10
Land & Land Improvements	Indefinite
Furniture and Equipment	5 - 10

F. Compensated Absences

All full-time employees and permanent part-time employees are granted vacation benefits. Vacation time is earned on a month-to-month basis based on length of service. Vacation time is allowed to accrue to a maximum of 240 hours. When the limit is reached, employees will cease to accrue more vacation time until existing levels fall below 240 hours. Vested or accumulated vacation leave is reported in the government-wide statement of net position. No liability is recorded for non-vesting accumulating rights to receive sick leave 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. Pensions

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

I. Other Post-Employment Benefits (OPEB)

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

J. Fund Balances / Net Position

Fund Balance

Fund balance classifications comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

CASS COUNTY SOIL CONSERVATION DISTRICT
 Notes to the Financial Statements – Continued

Fund Balance Spending Policy

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

Fund Balance Reporting and Governmental Fund Type Definitions

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

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

Cass County Soil Conservation District only has restricted fund balance at December 31, 2017.

Restricted Fund Balances – consist of the following items at December 31, 2017:

Restricted fund balances are shown by primary function (conservation of natural resources) on the balance sheet. Restricted fund balances are restricted by enabling legislation (primarily state law for tax levies).

Net Position

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

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

Restriction of net position shown in the net position statement is restricted for conservation of natural resource activities.

NOTE 2: DEPOSITS

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

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

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any park, city, township, school district, Soil conservation 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 ended December 31, 2017, the soil conservation district's carrying amount of deposits was \$333,307, and the bank balance was \$337,212, all of which was covered by Federal Depository Insurance.

Credit Risk:

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

- (a) 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.
- (b) 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.
- (c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.

Concentration of Credit Risk:

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

CASS COUNTY SOIL CONSERVATION DISTRICT
Notes to the Financial Statements – Continued

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts due from individuals for services performed by the Soil conservation district. No allowance has been established for estimated uncollectible accounts receivable.

NOTE 4: INTERGOVERNMENTAL RECEIVABLE

Intergovernmental receivables consist of state revenue sharing payments received after year-end for the 319 grant.

NOTE 5: DUE FROM COUNTY

Due from county represents tax amounts collected prior to year-end by county auditor's office not distributed to the district at year-end.

NOTE 6: PREPAID ASSETS

Prepaid assets represent amounts for insurance and other expenditures paid prior to December 31, 2017 which covers the period after December 31, 2017.

NOTE 7: TAXES RECEIVABLE

The taxes receivable represents the past three 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 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 8: CAPITAL ASSETS

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

	Balance 1-1-17	Increases	Decreases	Balance 12-31-17
Governmental Activities:				
<i>Capital assets being depreciated:</i>				
Buildings	\$ 242,206	\$ -	\$ -	\$ 242,206
District Equipment	353,099	66,500	49,137	370,462
Total Capital Assets, Being Depreciated	\$ 595,305	\$ 66,500	\$ 49,137	\$ 612,668
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 55,708	\$ 6,796	\$ -	\$ 62,504
District Equipment	269,668	34,371	29,482	274,557
Total Accumulated Depreciation	\$ 325,376	\$ 41,167	\$ 29,482	\$ 337,061
Governmental Activities Capital Assets, Net	\$ 269,929	\$ 25,333	\$ 19,655	\$ 275,607

Depreciation expense was charged to conservation of natural resources.

CASS COUNTY SOIL CONSERVATION DISTRICT
Notes to the Financial Statements – Continued

NOTE 9: DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources in the government wide financial statements consist of amounts related to pensions and OPEB outlined in more detail in Notes 17 and 18.

NOTE 10: ACCOUNTS & SALARIES PAYABLE

Accounts payable consists of amounts owed vendors for goods and services received prior to year-end, but paid subsequent to year-end. Salaries payable consists of amounts earned by employees prior to year-end, but paid subsequent to year-end.

NOTE 11: PAYROLL LIABILITY

Payroll Liabilities consists of the amount of federal/state withholdings, vision and dental insurance, etc. paid subsequent to year-end.

NOTE 12: SALES TAX LIABILITY

Sales Tax Liabilities consists of amounts to be paid from sales occurring at year end that will be due subsequent to year-end.

NOTE 13: OTHER LIABILITIES

The other liabilities consist of amounts due for the credit card payable, and state unemployment liability owed at year-end, but paid subsequent to year-end.

NOTE 14: DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the government wide 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 accrual basis of accounting, such amounts include certain items related to pensions and OPEB amounts outlined in more detail in notes 17 and 18.

Deferred inflows of resources in the fund financial statements consist of amounts for taxes receivable 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, uncollected taxes are measurable but not available.

NOTE 15: LONG-TERM LIABILITIES

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

Governmental Activities:	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 13,922	\$ 4,779	\$ -	\$ 18,701	\$ 1,870
Net Pension & OPEB Liability *	193,701	151,304		345,005	-
Total Governmental Activities	\$ 207,623	\$ 156,083	\$ -	\$ 363,706	\$ 1,870

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

NOTE 16: RISK MANAGEMENT

The Cass 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 (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 Cass County Soil Conservation District pays an annual premium to NDRIF for Public Assets. The coverage by NDRIF is limited to losses of 76,000.

The Cass County Soil Conservation District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Cass County 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 two million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$277,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

NOTE 17: PENSION PLAN

General Information about the NDPERS 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 plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no 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 after January 1, 2016 the Rule of 85 will be replaced with a 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 salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

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

1 to 12 months of service	Greater of one percent of monthly salary or \$25
13 to 24 months of service	Greater of two percent of monthly salary or \$25
25 to 36 months of service	Greater of three percent of monthly salary or \$25
Longer than 36 months of service	Greater of four percent of monthly salary or \$25

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

At December 31, 2017, the Employer reported a liability of \$329,695 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the 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, 2017, the Employer's proportion was .0251200 percent, which was an increase of .005245 percent from its proportion measured as of June 30, 2016.

CASS COUNTY SOIL CONSERVATION DISTRICT
Notes to the Financial Statements – Continued

For the year ended December 31, 2017, the Employer recognized pension expense of \$55,983. At December 31, 2017, the Employer 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	\$ 1,960	\$ 1,606
Changes of Assumptions	135,197	7,436
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	4,434	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	29,117	4,116
District Contributions Subsequent to the Measurement Date	7,573	-
Total	\$ 178,281	\$ 13,158

\$7,573 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year 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.

2018	\$ 34,819
2019	40,903
2020	36,320
2021	31,423
2022	14,085
Thereafter	-

Actuarial assumptions. The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%	
Salary increases	Service at Beginning of year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 36	8.00%
	36 – 40	7.50%
41 – 49	6.00%	
50+	5.00%	
	* Age-based salary increase rates apply for employees with three or more years of service	
Investment rate of return	7.75%, 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 Mortality Table set back one year for males (no setback for females) multiplied by 125%.

CASS COUNTY SOIL CONSERVATION DISTRICT
Notes to the Financial Statements – Continued

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equities	31%	6.05%
International Equities	21%	6.70%
Private Equity	5%	10.20%
Domestic Fixed Income	17%	1.43%
International Fixed Income	5%	(0.45)%
Global Real Assets	20%	5.16%
Cash Equivalents	1%	0.00%

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

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

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

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate. The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 6.44 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.44 percent) or 1-percentage-point higher (7.44 percent) than the current rate:

	1% Decrease (5.44%)	Current Discount Rate (6.44%)	1% Increase (7.44%)
District's Proportionate Share of the Net Pension Liability	\$ 447,571	\$ 329,695	\$ 231,627

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report. It is located in the North Dakota Public Employees Retirement System Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. The supporting actuarial information is included in the July 1, 2017, GASB Statements No. 67 and 68 Accounting and Financial Reporting for Pensions actuarial valuation for each retirement plan. Additional financial and actuarial information is available on their website, www.nd.gov/ndpers, or may be obtained by contacting the agency at: North Dakota Public Employees Retirement System, 400 E. Broadway Ave., Suite 505, P.O. Box 1657, Bismarck, ND, 58502-1657 or by calling (701) 328-3900.

NOTE 18: OTHER POST-EMPLOYMENT BENEFITS

General Information about the OPEB Plan

North Dakota Public Employees Retirement 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 OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

OPEB Benefits

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

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

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

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

At December 31, 2017, the Employer reported a liability of \$15,310 for its proportionate share of the net liability. The net OPEB liability was measured as of July 1, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2017 the Employer's proportion was .019355 percent.

For the year ended December 31, 2017 the Employer recognized OPEB expense of \$1,839. At December 31, 2017 the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 373
Changes of Assumptions	1,483	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	579
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	41
District Contributions Subsequent to the Measurement Date	1,213	-
Total	\$ 2,696	\$ 993

\$1,213 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2018.

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

2018	\$	23
2019		23
2020		23
2021		23
2022		168
2023		168
Thereafter		62

Actuarial assumptions. The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Not applicable
Investment rate of return	7.50%, net of investment expenses, including inflation
Cost-of-living adjustments	None

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

CASS COUNTY SOIL CONSERVATION DISTRICT
Notes to the Financial Statements – Continued

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	37%	5.80%
Small Cap Domestic Equities	9%	7.05%
International Equities	14%	6.20%
Core-Plus Fixed Income	40%	1.56%

Discount rate. The discount rate used to measure the total OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2017 and July 1, 2016 HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on RHIC plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the Plans as of June 30, 2017, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's Proportionate Share of the OPEB Liability	\$ 19,166	\$ 15,310	\$ 12,005

NOTE 19: PRIOR PERIOD ADJUSTMENTS

Prior Period Adjustment – Due to Voided Checks:

The Cass County Soil Conservation District had the following prior period adjustments due to voiding checks written in the prior year. The result of the voided checks was a decrease to the beginning net position on January 1, 2017 totaling (\$8,166).

The net effect of all prior period adjustments for fund level activities are as follows:

Beginning Fund Balance, as previously reported	\$ 400,397
Adjustments to restate the January 1, 2017 Fund Balance:	
Cash adjustment	(8,166)
Fund Balance January 1, as restated	\$ 392,231

CASS COUNTY SOIL CONSERVATION DISTRICT
Notes to the Financial Statements – Continued

Prior Period Adjustment – Due to Change in Accounting Principle:

Due to the provisions of GASB Statement No. 75 'Accounting and Financing Reporting for Postemployment Benefit Plans Other than Pensions', the beginning balance of the liability related to the retiree health insurance credit fund.

The net effect of all prior period adjustments for governmental activities are as follows:

Beginning Net Position, as previously reported	\$ 536,711
Adjustments to restate the January 1, 2017 Net Position:	
Cash adjustment	(8,166)
Report Beginning Balance of OPEB Liability	(15,368)
Net Position January 1, as restated	\$ 513,177

CASS COUNTY SOIL CONSERVATION DISTRICT
Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 294,803	\$ 294,803	\$ 289,051	\$ (5,752)
Intergovernmental	41,450	41,450	74,069	32,619
Charges for Services	152,485	152,485	226,835	74,350
Interest	150	150	226	76
Miscellaneous	675	675	3,460	2,785
Total Revenues	\$ 489,563	\$ 489,563	\$ 593,641	\$ 104,078
<u>Expenditures:</u>				
Current:				
Payroll	\$ 343,890	\$ 343,890	\$ 320,835	\$ 23,055
Cost of Goods Sold	90,600	90,600	120,470	(29,870)
Information and Communication	82,150	82,150	86,404	(4,254)
Contributions	14,900	14,900	6,202	8,698
Maintenance and Repair	23,835	23,835	18,138	5,697
Professional Fees	11,500	11,500	11,500	-
Other	72,170	72,170	81,808	(9,638)
Total Expenditures	\$ 639,045	\$ 639,045	\$ 645,357	\$ (6,312)
Excess (Deficiency) of Revenues Over Expenditures	\$ (149,482)	\$ (149,482)	\$ (51,716)	\$ 97,766
Fund Balance - January 1	\$ 400,397	\$ 400,397	\$ 400,397	\$ -
Prior Period Adjustment	-	-	(8,166)	(8,166)
Fund Balance - Jan. 1 Restated	\$ 400,397	\$ 400,397	\$ 392,231	\$ (8,166)
Fund Balance - December 31	\$ 250,915	\$ 250,915	\$ 340,515	\$ 89,600

The accompanying required supplementary information notes are an integral part of this schedule.

CASS COUNTY SOIL CONSERVATION DISTRICT
Fargo, North Dakota

PENSION & OPEB SCHEDULES
December 31, 2017

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

NDPERS - Pension:	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.020512%	0.019875%	0.014634%	0.015703%
Employer's proportionate share of the net pension liability (asset)	\$ 329,695	\$ 193,701	\$ 99,509	\$ 99,670
Employer's covered-employee payroll	\$ 209,391	\$ 200,291	\$ 130,372	\$ 132,272
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	157.45%	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	61.98%	70.46%	77.15%	77.70%

*Complete data for this schedule is not available prior to 2014.

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

NDPERS - Pension:	2017	2016	2015	2014
Statutorily required contribution	\$ 15,184	\$ 14,501	\$ 9,903	\$ 9,418
Contributions in relation to the statutorily required contribution	\$ (14,909)	\$ (14,261)	\$ (9,533)	\$ (9,418)
Contribution deficiency (excess)	\$ 275	\$ 240	\$ 370	\$ -
Employer's covered-employee payroll	\$ 209,391	\$ 200,291	\$ 130,372	\$ 132,272
Contributions as a percentage of covered employee payroll	7.12%	7.12%	7.31%	7.12%

*Complete data for this schedule is not available prior to 2014.

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

NDPERS - OPEB:	2017
District's proportion of the net OPEB liability (asset)	0.019355%
District's proportionate share of the net OPEB liability (asset)	\$ 15,310
District's covered-employee payroll	\$ 209,391
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	7.31%
Plan fiduciary net position as a percentage of the total OPEB liability	59.78%

*Complete data for this schedule is not available prior to 2017.

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

NDPERS - OPEB:	2017
Statutory required contribution	\$ 2,434
Contributions in relation to the statutory required contribution	\$ (2,387)
Contribution deficiency (excess)	\$ 47
District's covered-employee payroll	\$ 209,391
Contributions as a percentage of covered-employee payroll	1.14%

*Complete data for this schedule is not available prior to 2017.

CASS COUNTY SOIL CONSERVATION DISTRICT
Fargo, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2017

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

- The soil district board adopts an “appropriated budget” on a basis consistent with accounting principles generally accepted in the United States (GAAP) for the general fund.
- The budget includes proposed expenditures and means of financing them.
- The soil conservation district, on or before the October meeting shall determine the amount of taxes that shall be levied for member county purposes and shall levy all such taxes in specific amounts. NDCC 11-23-05
- Each budget is controlled by the operations coordinator at the revenue and expenditure function/object level.
- 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. NDCC 57-15-31.1
- All appropriations lapse at year-end.

NOTE 2: PENSIONS & OPEB – CHANGES OF ASSUMPTIONS

Amounts reported in 2017 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.



STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

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*

Soil Conservation District Commissioners
Cass County Soil Conservation District
Fargo, 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 Cass County Soil Conservation District, Fargo, North Dakota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Cass County Soil Conservation District's basic financial statements, and have issued our report thereon dated March 29, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cass County Soil Conservation District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cass County Soil Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Cass County Soil Conservation District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *schedule of findings and questioned costs*, we identified a certain deficiency in internal control that we considered to be a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying *schedule of findings and questioned costs* to be a material weakness [2017-001].

Compliance and Other Matters

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

CASS COUNTY SOIL CONSERVATION DISTRICT

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* - Continued

Cass County Soil Conservation District's Response to Findings

Cass County Soil Conservation District's response to the finding identified in our audit is described in the accompanying *schedule of findings and questioned costs*. Cass County 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
March 29, 2018

CASS COUNTY SOIL CONSERVATION DISTRICT
Fargo, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued?
Governmental Activities Unmodified
Major Governmental Fund Unmodified

Internal Control Over Financial Reporting:

Material weaknesses identified?	<u> X </u> Yes	<u> </u> None noted
Significant deficiencies identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None noted
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> None noted

Section II - Financial Statement Findings

2017-001 – LACK OF SEGREGATION OF DUTIES

Condition:

Cass County Soil Conservation District has one employee responsible for the primary accounting functions and general ledger maintenance.

Effect:

A lack of segregation of duties exists as two employees are responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and perform bank reconciliations.

Cause:

The Cass County Soil Conservation District is not in the financial condition to hire the amount of staff to adequately segregate duties.

Criteria:

The guidance relating to internal control is contained in Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This framework includes discussions about the importance of adequate risk assessment, code of conduct, and background investigations. Proper internal accounting control dictates that sufficient accounting personnel should exist so that incompatible duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the Soil Conservation District.

Recommendation:

Due to the size and funding limitations of the Soil Conservation District, we understand that it may not be feasible to obtain proper separation of duties. However, if at any time, it becomes economically feasible and appropriate to add sufficient staff to segregate duties, we recommend that the Soil Conservation District do so. We further recommend that the Soil Conservation District implement any controls possible to separate the functions of approval, posting of transactions, reconciliation, and custody of assets.

Views of Responsible Officials:

I agree with the recommendation. The district operations coordinator reviews and initials the bank reconciliation reports. The board is now signing appropriate bills and checks at the board meetings. The board is more involved in the financial operation of the district now.

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Division of Local Government Audit

Office of the State Auditor
600 East Boulevard Avenue – Department 117
Bismarck, ND 58505-0060

(701) 328-2220



Cass County Soil Conservation District

Fargo, North Dakota

Management's Letter

For the Year Ended December 31, 2017

JOSHUA C. GALLION
STATE AUDITOR

Office of the State Auditor
Division of Local Government

STATE AUDITOR

JOSHUA C. GALLION
Phone (701) 328-2241



Local Government Division:

FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR

STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

Soil Conservation District Commissioners
Cass County Soil Conservation District
Fargo, North Dakota

We have audited the financial statements of the governmental activities, and the major fund of Cass County Soil Conservation District, Fargo, North Dakota, for the year ended December 31, 2017, and have issued our report thereon dated March 29, 2018. Professional standards require that we provide you with the following information related to our audit.

**OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED
IN THE UNITED STATES OF AMERICA, GOVERNMENT AUDITING STANDARDS**

As stated in our engagement letter dated January 11, 2018, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

In planning and performing our audit, we considered Cass County Soil Conservation District’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cass County Soil Conservation District’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cass County Soil Conservation District’s internal control over financial reporting.

As part of obtaining reasonable assurance about whether Cass County 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 grants noncompliance with which could have a direct and material effect on the determination of financial statement amounts. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Cass County Soil Conservation District’s compliance with those requirements.

SIGNIFICANT ACCOUNTING POLICIES/QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Cass County Soil Conservation District are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2017. GASB Statement 75 (Accounting and Financial Reporting for Post-Employment Benefit Plans Other Than Pensions) was adopted during the year ended December 31, 2017. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements presented by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is useful lives of capital assets.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. Management has corrected all such misstatements. The schedules below titled "Audit Adjustments" lists all misstatements detected as a result of audit procedures were corrected by management:

AUDIT ADJUSTMENTS		
Intergovernmental Receivable	\$	20,214
Due from County		616
Revenue	\$	20,830
Expenditures		17,126
Salaries Payable		8,296
Accounts Payable		8,830
Prepaid Asset		6,704
Expenditures		6,704
Fund Balance		26,633
Accounts Receivable		1,477
Intergovernmental Receivable		25,156
Accounts Payable		248
Prepaid Tree Sales		4,269
Fund Balance		4,517

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated March 29, 2018.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Soil Conservation District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing and completing our audit.

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Soil Conservation District Commissioners and management of Cass County Soil Conservation District, is not intended to be, and should not be used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of Cass County Soil Conservation District for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve Cass County Soil Conservation District.

/s/
Joshua C. Gallion
State Auditor

Fargo, North Dakota
March 29, 2018