

# **AUDIT REPORT**

**FOSTER COUNTY SOIL CONSERVATION DISTRICT**  
**Carrington, North Dakota**

**For the Years Ended December 31, 2017 and 2016**

**RATH & MEHRER, P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

FOSTER COUNTY SOIL CONSERVATION DISTRICT  
Carrington, North Dakota

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FOSTER COUNTY SOIL CONSERVATION DISTRICT  
Carrington, North Dakota

OFFICIALS

Robert House	Chairman
Cody Montgomery	Vice Chairman
Karl Hoppe	Supervisor
Curtiss Klein	Supervisor
Sam Partlow	Supervisor
Diann Schaaf	District Manager
Jill Vigesaa	Education Coordinator

# Rath & Mehrer, P.C.

Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Foster County Soil Conservation District  
Carrington, North Dakota

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

We have audited the accompanying financial statements of the governmental activities and the major fund of the Foster County Soil Conservation District, Carrington, North Dakota, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the soil conservation district's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Foster County Soil Conservation District, Carrington, North Dakota, as of December 31, 2017 and 2016, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgeting comparison information on pages 4 through 9 and 29 through 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 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*

Rath and Mehrer, P.C.

Bismarck, North Dakota

May 4, 2018

FOSTER COUNTY SOIL CONSERVATION DISTRICT

Management's Discussion and Analysis

December 31, 2017 and 2016

The Management's Discussion and Analysis (MD&A) of the Foster County Soil Conservation District's financial performance provides an overall review of the district's financial activities for the fiscal years ended December 31, 2017 and 2016. 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 prior years 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 \$82,899 as a result of the current year's operations.
- \* Governmental net position as of the end of the fiscal year totaled \$325,450.
- \* Total revenues from all sources were \$414,635.
- \* Total expenses were \$331,736.
- \* The soil conservation district's general fund had \$414,204 in total revenues and \$365,758 in total expenditures. Overall, the general fund balance increased by \$48,446 for the year ended December 31, 2017.

Key financial highlights for the year ended December 31, 2016 are as follows:

- \* Net position of the soil conservation district decreased \$299 as a result of the current year's operations.
- \* Governmental net position as of the end of the fiscal year totaled \$242,551.
- \* Total revenues from all sources were \$321,155.
- \* Total expenses were \$321,453.
- \* The soil conservation district's general fund had \$321,389 in total revenues and \$327,494 in total expenditures. Overall, the general fund balance decreased by \$6,105 for the year ended December 31, 2016.

## 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 years ended December 31, 2017 and 2016?"

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 are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expense 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 and 2016. A comparative analysis of district-wide data is presented for both current years and prior year.

As indicated in the financial highlights above, the soil conservation district's net position increased by \$82,899 and decreased by \$299 for the years ended December 31, 2017 and 2016, respectively. 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 \$325,450, as of December 31, 2017 and \$242,551, as of December 31, 2016 are segregated into three separate categories. Net investment in capital assets for the year ended December 31, 2017 represents 33% of the soil conservation district's total net position. As of December 31, 2016, this total represents 30% of total net position. It should be noted that these assets are not available for future spending. The restricted component of net position, as of December 31, 2017, represents 23% and as of December 31, 2016 represents 27% of the soil conservation districts net position and represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted component of net position as of December 31, 2017 and 2016 represents 44% and 43%, respectively, of the soil conservation district's net position and is available to meet the soil conservation district's ongoing obligations.

Table I  
Net Position  
As of December 31, 2017 and 2016  
(With comparative totals for December 31, 2015)

	2017	2016	2015
<u>Assets</u>			
Current Assets	240,932	201,498	197,563
Capital Assets (net of accumulated depreciation)	107,429	73,407	67,366
Total Assets	348,361	274,905	264,929
<u>Liabilities</u>			
Current Liabilities	2,919	8,630	9,114
<u>Deferred Inflows of Resources</u>			
Unavailable Revenue	19,992	23,724	12,965
Total Liabilities and Deferred Inflows of Resources	22,911	32,354	22,080
<u>Net Position</u>			
Net Investment in Capital Assets	107,429	73,407	67,366
Restricted	74,138	64,985	68,003
Unrestricted	143,883	104,159	107,481
Total Net Position	325,450	242,551	242,850



Table II shows the changes in net position for the fiscal years ended December 31, 2017 and 2016. A comparative analysis of district-wide data is presented for both current years and prior year.

Table II  
Changes in Net Position  
As of December 31, 2017 and 2016  
(With comparative totals for December 31, 2015)

	2017	2016	2015
<b>Revenues</b>			
<u>Program Revenues:</u>			
Charges for Services	144,597	86,531	108,874
Operating Grants and Contributions	200,914	182,224	140,492
<u>General Revenues:</u>			
Property Taxes	66,051	52,154	54,671
Interest Earnings and Other Revenue	3,074	246	390
<b>Total Revenues</b>	414,635	321,155	304,426
<b>Expenses</b>			
Conservation of Natural Resources	331,736	321,453	282,251
<b>Net Change in Position</b>	82,899	(299)	22,175

Property taxes constituted 16%, operating grants and contributions 48% and charges for services made up 35% 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.

Property taxes constituted 16%, operating grants and contributions 57% and charges for services made up 27% of the total revenues of governmental activities of the soil conservation district for the fiscal year ended December 31, 2016.

Conservation of natural resources constituted 100% of total expenses for governmental activities during the fiscal year ended December 31, 2016.

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 December 31, 2017	Net Cost Year Ended December 31, 2017
Conservation of Natural Resources	331,736	(13,774)
	=====	=====

Total and Net Cost of Services  
As of December 31, 2016

	Total Cost Year Ended December 31, 2016	Net Cost Year Ended December 31, 2016
Conservation of Natural Resources	321,453	52,698
	=====	=====

**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 \$414,204 and expenditures of \$365,758 for the year ended December 31, 2017. For the year ended December 31, 2016, the general fund had total revenue of \$321,389 and expenditures of \$327,494. As of December 31, 2017 and 2016, the unassigned fund balance of the soil conservation district's general fund was \$135,444 and 96,166, respectively.

**GENERAL FUND BUDGET HIGHLIGHTS**

During the course of fiscal years 2017 and 2016, the soil conservation district did not amend the general fund budgets.

Actual revenue for the year ended December 31, 2017 was \$207,391 more than budgeted. This budget variance was due to the soil conservation district underestimating the budgets for various state and federal grants and charges for services for tree planting and educational services. Actual expenditures for the year ended December 31, 2017 were over budget by \$72,780. This variance was the result of the district having unexpected repairs to equipment and underestimating the budgets for cost of goods sold and capital outlay.

Actual revenue for the year ended December 31, 2016 was \$51,666 more than budgeted. This budget variance was due to the district not estimating a budget for educational services included under charges for services. Actual expenditures for the year ended December 31, 2016 were under budget by \$86,815. This budget variance was the result of the district overestimating the budget for presentation fees.

**CAPITAL ASSETS**

As of December 31, 2017 and 2016, the soil conservation district had \$107,429 and \$73,407, respectively, invested in capital assets. Table IV shows the balances as of December 31, 2017, 2016 and 2015.

Table IV  
Capital Assets  
(Net of Accumulated Depreciation)  
As of December 31, 2017 and 2016  
(With comparative totals for December 31, 2015)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Machinery and Equipment	107,429	73,407	67,366
	=====	=====	=====

The December 31, 2017 total represents an increase of \$34,022 in capital assets from January 1, 2017. The December 31, 2016 total represents an increase of \$6,041 in capital assets from January 1, 2016. The increase in machinery and equipment was the result of the purchase of a TP 2000 tree planter, Haybuster drill and a New Holland tractor. 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 and 2016, the soil conservation district had no outstanding debt.

**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 Foster County. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Dionn Schaaf, District Manager, Foster County Soil Conservation District, Carrington, ND 58421.

FOSTER COUNTY SOIL CONSERVATION DISTRICT  
Carrington, North Dakota

Statement of Net Position  
December 31, 2017

	Governmental Activities
<b><u>ASSETS:</u></b>	
Cash	181,308.88
Accounts Receivable	12,882.95
Intergovernmental Receivables	28,260.03
Taxes Receivable	751.22
Due from County Treasurer	17,728.84
Capital Assets (net of accumulated depreciation):	
Machinery and Equipment	107,429.00
	348,360.92
<b><u>LIABILITIES:</u></b>	
Payroll Benefits Payable	1,942.96
Sales Taxes Payable	976.08
	2,919.04
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>	
Unavailable Revenue	19,992.21
	22,911.25
<b><u>NET POSITION:</u></b>	
Net Investment in Capital Assets	107,429.00
Restricted for:	
Special Purposes	74,137.67
Unrestricted	143,883.00
	325,449.67
	325,449.67

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

FOSTER COUNTY SOIL CONSERVATION DISTRICT  
Carrington, North Dakota

Statement of Net Position  
December 31, 2016

	Governmental Activities
<u>ASSETS:</u>	
Cash	156,375.81
Accounts Receivable	13,217.10
Intergovernmental Receivables	17,872.35
Taxes Receivable	320.61
Due from County Treasurer	13,712.00
Capital Assets (net of accumulated depreciation):	
Machinery and Equipment	73,407.00
Total Assets	274,904.87
<u>LIABILITIES:</u>	
Accounts Payable	6,860.00
Payroll Benefits Payable	1,144.30
Sales Taxes Payable	625.27
Total Liabilities	8,629.57
<u>DEFERRED INFLOWS OF RESOURCES:</u>	
Unavailable Revenue	23,724.23
Total Liabilities and Deferred Inflows of Resources	32,353.80
<u>NET POSITION:</u>	
Net Investment in Capital Assets	73,407.00
Restricted for:	
Special Purposes	64,984.95
Unrestricted	104,159.12
Total Net Position	242,551.07

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

FOSTER COUNTY SOIL CONSERVATION DISTRICT  
Carrington, North Dakota

Statement of Activities  
For the Year Ended December 31, 2017

	Program Revenues		Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>			
Conservation of Natural Resources	331,736.46	144,596.73	200,913.99
			13,774.26
<u>General Revenues:</u>			
Taxes:			
Property taxes; levied for general purposes			66,050.68
Earnings on investments and other revenue			3,073.66
Total General Revenues			69,124.34
Change in Net Position			82,898.60
Net Position - January 1			242,551.07
Net Position - December 31			325,449.67

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

FOSTER COUNTY SOIL CONSERVATION DISTRICT  
Carrington, North Dakota

Statement of Activities  
For the Year Ended December 31, 2016

	Program Revenues		Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>			
Conservation of Natural Resources	321,453.16	86,531.11	182,223.62
			(52,698.43)
	<u>General Revenues:</u>		
	Taxes:		
		Property taxes; levied for general purposes	52,153.57
		Earnings on investments and other revenue	246.24
	Total General Revenues		52,399.81
	Change in Net Position		(298.62)
	Net Position - January 1		242,849.69
	Net Position - December 31		242,551.07

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

FOSTER COUNTY SOIL CONSERVATION DISTRICT  
Carrington, North Dakota

Balance Sheet  
Governmental Fund  
December 31, 2017

	General
<b>ASSETS:</b>	
Cash	181,308.88
Accounts Receivable	12,882.95
Intergovernmental Receivables	28,260.03
Taxes Receivable	751.22
Due from County Treasurer	17,728.84
Total Assets	240,931.92
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u></b>	
<b><u>Liabilities:</u></b>	
Payroll Benefits Payable	1,942.96
Sales Taxes Payable	976.08
Total Liabilities	2,919.04
<b><u>Deferred Inflows of Resources:</u></b>	
Unavailable Revenue	20,743.43
Total Liabilities and Deferred Inflows of Resources	23,662.47
<b><u>Fund Balance:</u></b>	
Restricted for:	
Educational Services	74,137.67
Assigned to:	
Equipment and Improvements	7,688.00
Unassigned	135,443.78
Total Fund Balance	217,269.45
Total Liabilities, Deferred Inflows of Resources and Fund Balance	240,931.92

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



FOSTER COUNTY SOIL CONSERVATION DISTRICT  
Carrington, North Dakota

Balance Sheet  
Governmental Fund  
December 31, 2016

	General
<b>ASSETS:</b>	
Cash	156,375.81
Accounts Receivable	13,217.10
Intergovernmental Receivables	17,872.35
Taxes Receivable	320.61
Due from County Treasurer	13,712.00
<hr/>	
<b>Total Assets</b>	<b>201,497.87</b>
<hr style="border-top: 1px dashed black;"/>	
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u></b>	
<b><u>Liabilities:</u></b>	
Accounts Payable	6,860.00
Payroll Benefits Payable	1,144.30
Sales Taxes Payable	625.27
<hr/>	
<b>Total Liabilities</b>	<b>8,629.57</b>
<hr/>	
<b><u>Deferred Inflows of Resources:</u></b>	
Unavailable Revenue	24,044.84
<hr/>	
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>32,674.41</b>
<hr/>	
<b><u>Fund Balance:</u></b>	
Restricted for:	
Kelly Creek Watershed Project	10,163.78
Educational Services	54,821.17
Assigned to:	
Equipment and Improvements	7,672.64
Unassigned	96,165.87
<hr/>	
<b>Total Fund Balance</b>	<b>168,823.46</b>
<hr/>	
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>201,497.87</b>
<hr style="border-top: 1px dashed black;"/>	

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

FOSTER COUNTY SOIL CONSERVATION DISTRICT  
Carrington, North Dakota

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

Total Fund Balance for Governmental Fund 217,269.45

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 fund.

Cost of Capital Assets	167,318.00	
Less Accumulated Depreciation	(59,889.00)	
Net Capital Assets		107,429.00

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. 751.22

Total Net Position of Governmental Activities 325,449.67

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

FOSTER COUNTY SOIL CONSERVATION DISTRICT  
Carrington, North Dakota

Reconciliation of Governmental Fund Balance Sheet  
to the Statement of Net Position  
For the Year Ended December 31, 2016

Total Fund Balance for Governmental Fund		168,823.46
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 fund.		
Cost of Capital Assets	116,618.00	
Less Accumulated Depreciation	(43,211.00)	
Net Capital Assets	<hr/>	73,407.00
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.		
		<hr/> 320.61
Total Net Position of Governmental Activities		<hr/> 242,551.07 =====

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

FOSTER COUNTY SOIL CONSERVATION DISTRICT  
Carrington, North Dakota

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

	General
<b>Revenues:</b>	
Taxes	65,620.07
Intergovernmental	192,262.84
Charges for Services	135,747.23
Miscellaneous	20,574.31
<b>Total Revenues</b>	<b>414,204.45</b>
<b>Expenditures:</b>	
<b>Current:</b>	
<u>Conservation of Natural Resources</u>	
Payroll and Fringe Benefits	74,974.53
Supervisor Expense	4,347.02
Contracted Services	26,436.00
Mileage	643.50
Insurance	2,847.91
Utilities	1,677.61
Telephone	2,038.96
Supplies and Equipment	3,000.98
Postage	785.56
Fuel and Oil	1,388.11
Dues and Subscriptions	1,097.00
Conservation Education	6,095.92
Workshops and Training	238.00
Advertising and Promotions	2,820.12
Repairs and Maintenance	13,835.52
Rentals	265.00
Presentation Fees	130,820.00
Contributions	856.12
Miscellaneous	148.98
Cost of Goods Sold	40,741.62
Capital Outlay	50,700.00
<b>Total Expenditures</b>	<b>365,758.46</b>
<b>Net Change in Fund Balances</b>	<b>48,445.99</b>
<b>Fund Balance - January 1</b>	<b>168,823.46</b>
<b>Fund Balance - December 31</b>	<b>217,269.45</b>

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

FOSTER COUNTY SOIL CONSERVATION DISTRICT  
Carrington, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Fund  
For the Year Ended December 31, 2016

	General
<u>Revenues:</u>	
Taxes	52,388.48
Intergovernmental	177,396.77
Charges for Services	78,345.09
Miscellaneous	13,259.11
<b>Total Revenues</b>	<b>321,389.45</b>
<u>Expenditures:</u>	
<u>Current:</u>	
<u>Conservation of Natural Resources</u>	
Payroll and Fringe Benefits	58,546.53
Supervisor Expense	3,169.59
Contracted Services	25,500.00
Mileage	96.12
Travel	451.06
Insurance	2,404.97
Utilities	1,693.88
Telephone	1,705.84
Supplies and Equipment	2,964.67
Postage	1,165.00
Fuel and Oil	1,145.66
Dues and Subscriptions	1,403.00
Conservation Education	4,826.53
Workshops and Training	281.00
Advertising and Promotions	2,548.39
Repairs and Maintenance	4,458.12
Rentals	100.00
Professional Fees	2,175.00
Presentation Fees	123,265.00
Kelly Creek Watershed Project	51,024.67
Contributions	1,875.36
Miscellaneous	279.64
Cost of Goods Sold	18,914.13
Capital Outlay	17,500.00
<b>Total Expenditures</b>	<b>327,494.16</b>
<b>Net Change in Fund Balances</b>	<b>(6,104.71)</b>
Fund Balance - January 1	174,928.17
Fund Balance - December 31	<b>168,823.46</b>
	=====

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

FOSTER COUNTY SOIL CONSERVATION DISTRICT  
Carrington, North Dakota

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

Net Change in Fund Balance - Total Governmental Fund 48,445.99

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	50,700.00	
Current Year Depreciation Expense	(16,678.00)	34,022.00

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		430.61

Change in Net Position of Governmental Activities		82,898.60

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

FOSTER COUNTY SOIL CONSERVATION DISTRICT  
Carrington, North Dakota

Reconciliation of Governmental Fund Statement of Revenues, Expenditures  
and Changes in Fund Balance to the Statement of Activities  
For the Year Ended December 31, 2016

Net Change in Fund Balance - Total Governmental Fund (6,104.71)

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	17,500.00	
Current Year Depreciation Expense	(11,459.00)	6,041.00

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 Decrease in Taxes Receivable		(234.91)

Change in Net Position of Governmental Activities		(298.62)

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

FOSTER COUNTY SOIL CONSERVATION DISTRICT  
Carrington, North Dakota

Notes to the Financial Statements  
December 31, 2017 and 2016

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

The accompanying financial statements present the activities of the soil conservation district. The soil conservation district has considered all potential component units for which the 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 Foster County Soil Conservation District as a reporting entity.

B. Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the soil conservation district's governmental activities. Direct expenses are those that are specifically associated with 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, except those required to be accounted for in another fund.

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 \$1,500 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

Machinery and Vehicles	5 to 15 years
---------------------------	---------------

### F. Compensated Absences

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

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

### G. 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 current assets, current liabilities and deferred inflows of resources. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the soil conservation district is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

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

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

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

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

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

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

- \* Committed
- \* Assigned
- \* Unassigned

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

#### H. 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 \$179,609 and the bank balance was \$197,378. Of the bank balance, \$197,378 was covered by Federal Depository Insurance.

At December 31, 2016 the district's carrying amount of deposits was \$156,504 and the bank balance was \$158,827. Of the bank balance, \$158,827 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 and other governmental units for the sale of trees and materials and for services performed by the soil conservation district due at December 31. No allowance has been established for uncollectible accounts.

#### Note 4 INTERGOVERNMENTAL RECEIVABLES

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

#### Note 5 TAXES RECEIVABLE

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

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

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

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

Note 6 DUE FROM COUNTY TREASURER

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

Note 7 CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended:

December 31, 2017

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities: <i>Capital assets being depreciated:</i>				
Machinery & Equipment	116,618	50,700		167,318
<i>Less accumulated depreciation for:</i>				
Machinery & Equipment	43,211	16,678		59,889
Governmental Activities Capital Assets, Net	73,407	34,022	-0-	107,429
	=====	=====	=====	=====

December 31, 2016

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities: <i>Capital assets being depreciated:</i>				
Machinery & Equipment	99,118	17,500		116,618
<i>Less accumulated depreciation for:</i>				
Machinery & Equipment	31,752	11,459		43,211
Governmental Activities Capital Assets, Net	67,366	6,041	-0-	73,407
	=====	=====	=====	=====

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

	<u>12-31-17</u>	<u>12-31-16</u>
Conservation of Natural Resources	16,678	11,459
	=====	=====

Note 8 ACCOUNTS PAYABLE

Accounts payable consists of amounts on open account for goods and services received prior to December 31 and chargeable to the appropriations for the year then ended, but paid for subsequent to that date.

Note 9 PAYROLL BENEFITS PAYABLE

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

Note 10 SALES TAX PAYABLE

Sales tax payable consists of taxes collected on sales during 2017 and 2016 but remitted to the State of North Dakota subsequent to December 31, 2017 and 2016, respectively.

Note 11 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, prepaid property taxes and downpayments.

Unavailable revenue on the government-wide financial statements consist of prepaid property taxes and downpayments

Note 12 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (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 soil conservation district pays an annual premium to NDRIF for its general liability, automobile and public assets insurance coverage. The coverage by NDRIF is limited to losses of \$1,000,000 per occurrence for general liability and automobile; and \$144,314 for public assets.

The soil conservation district also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The school 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 \$105,000 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.

FOSTER COUNTY SOIL CONSERVATION DISTRICT  
Carrington, 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>				
Taxes	55,322.48	55,322.48	65,620.07	10,297.59
Intergovernmental	100,100.60	100,100.60	192,262.84	92,162.24
Charges for Services	45,400.00	45,400.00	135,747.23	90,347.23
Miscellaneous	5,990.00	5,990.00	20,574.31	14,584.31
<b>Total Revenues</b>	<b>206,813.08</b>	<b>206,813.08</b>	<b>414,204.45</b>	<b>207,391.37</b>
<u>Expenditures:</u>				
<u>Current:</u>				
<u>Conservation of Natural Resources</u>				
Payroll and Fringe Benefits	52,260.00	52,260.00	74,974.53	(22,714.53)
Supervisor Expense	6,390.00	6,390.00	4,347.02	2,042.98
Contracted Services	25,181.00	25,181.00	26,436.00	(1,255.00)
Mileage			643.50	(643.50)
Insurance	1,875.00	1,875.00	2,847.91	(972.91)
Utilities	1,750.00	1,750.00	1,677.61	72.39
Telephone			2,038.96	(2,038.96)
Supplies and Equipment	2,877.00	2,877.00	3,000.98	(123.98)
Postage	920.00	920.00	785.56	134.44
Fuel and Oil	1,200.00	1,200.00	1,388.11	(188.11)
Dues and Subscriptions	1,105.00	1,105.00	1,097.00	8.00
Conservation Education	8,245.00	8,245.00	6,095.92	2,149.08
Workshops and Training	100.00	100.00	238.00	(138.00)
Advertising and Promotions	2,630.00	2,630.00	2,820.12	(190.12)
Repairs and Maintenance	4,500.00	4,500.00	13,835.52	(9,335.52)
Rentals	150.00	150.00	265.00	(115.00)
Presentation Fees	130,820.00	130,820.00	130,820.00	
Contributions	275.00	275.00	856.12	(581.12)
Miscellaneous	1,190.00	1,190.00	148.98	1,041.02
Cost of Goods Sold	17,925.00	17,925.00	40,741.62	(22,816.62)
Capital Outlay	33,585.00	33,585.00	50,700.00	(17,115.00)
<b>Total Expenditures</b>	<b>292,978.00</b>	<b>292,978.00</b>	<b>365,758.46</b>	<b>(72,780.46)</b>
<b>Net Change in Fund Balances</b>	<b>(86,164.92)</b>	<b>(86,164.92)</b>	<b>48,445.99</b>	<b>134,610.91</b>
<b>Fund Balance - January 1</b>	<b>168,823.46</b>	<b>168,823.46</b>	<b>168,823.46</b>	
<b>Fund Balance - December 31</b>	<b>82,658.54</b>	<b>82,658.54</b>	<b>217,269.45</b>	<b>134,610.91</b>

FOSTER COUNTY SOIL CONSERVATION DISTRICT  
Carrington, North Dakota

Budgetary Comparison Schedule  
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	43,166.39	43,166.39	52,388.48	9,222.09
Intergovernmental	192,997.30	192,997.30	177,396.77	(15,600.53)
Charges for Services	30,600.00	30,600.00	78,345.09	47,745.09
Miscellaneous	2,960.00	2,960.00	13,259.11	10,299.11
<b>Total Revenues</b>	<b>269,723.69</b>	<b>269,723.69</b>	<b>321,389.45</b>	<b>51,665.76</b>
<u>Expenditures:</u>				
<u>Current:</u>				
<u>Conservation of Natural Resources</u>				
Payroll and Fringe Benefits	56,756.00	56,756.00	58,546.53	(1,790.53)
Supervisor Expense	5,460.00	5,460.00	3,169.59	2,290.41
Contracted Services	37,461.00	37,461.00	25,500.00	11,961.00
Mileage			96.12	(96.12)
Travel	500.00	500.00	451.06	48.94
Insurance	2,110.00	2,110.00	2,404.97	(294.97)
Utilities	1,750.00	1,750.00	1,693.88	56.12
Telephone	3,907.50	3,907.50	1,705.84	2,201.66
Supplies and Equipment	3,216.00	3,216.00	2,964.67	251.33
Postage	1,370.00	1,370.00	1,165.00	205.00
Fuel and Oil	1,800.00	1,800.00	1,145.66	654.34
Dues and Subscriptions	1,125.00	1,125.00	1,403.00	(278.00)
Conservation Education	7,455.00	7,455.00	4,826.53	2,628.47
Workshops and Training	550.00	550.00	281.00	269.00
Advertising and Promotions	2,788.00	2,788.00	2,548.39	239.61
Repairs and Maintenance	4,500.00	4,500.00	4,458.12	41.88
Rentals	250.00	250.00	100.00	150.00
Professional Fees	2,300.00	2,300.00	2,175.00	125.00
Presentation Fees	178,494.00	178,494.00	123,265.00	55,229.00
Kelly Creek Watershed Project	69,918.00	69,918.00	51,024.67	18,893.33
Contributions	525.00	525.00	1,875.36	(1,350.36)
Miscellaneous	2,398.00	2,398.00	279.64	2,118.36
Cost of Goods Sold	19,650.00	19,650.00	18,914.13	735.87
Capital Outlay	10,026.00	10,026.00	17,500.00	(7,474.00)
<b>Total Expenditures</b>	<b>414,309.50</b>	<b>414,309.50</b>	<b>327,494.16</b>	<b>86,815.34</b>
<b>Net Change in Fund Balances</b>	<b>(144,585.81)</b>	<b>(144,585.81)</b>	<b>(6,104.71)</b>	<b>138,481.10</b>
<b>Fund Balance - January 1</b>	<b>174,928.17</b>	<b>174,928.17</b>	<b>174,928.17</b>	
<b>Fund Balance - December 31</b>	<b>30,342.36</b>	<b>30,342.36</b>	<b>168,823.46</b>	<b>138,481.10</b>



FOSTER COUNTY SOIL CONSERVATION DISTRICT  
Carrington, North Dakota

Notes to the Budgetary Comparison Schedule  
December 31, 2017 and 2016

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 district's budgets for the years ending December 31, 2017 and 2016.

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the general fund by \$72,780.46 for the year ending December 31, 2017. No remedial action is anticipated or required by the soil conservation district regarding these excess expenditures.

# Rath & Mehrer, P.C.

Certified Public Accountants

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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  
Foster County Soil Conservation District  
Carrington, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Foster County Soil Conservation District, Carrington, North Dakota, as of and for the years ended December 31, 2017 and 2016, 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 May 4, 2018.

### Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Soil Conservation District's Response to Findings

The soil conservation district's response to the findings identified in our audits are described in the accompanying *Schedule of Findings and Responses*. The soil conservation district's response was not subjected to the auditing procedures applied in the audits 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

May 4, 2018

FOSTER COUNTY SOIL CONSERVATION DISTRICT  
Carrington, North Dakota

Schedule of Findings and Responses  
For the Years Ended December 31, 2017 and 2016

SECTION I - SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:

Governmental Activities	Unmodified
Major Governmental Funds	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 and 2016 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.

# Rath & Mehrer, P.C.

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Governing Board  
Foster County Soil Conservation District  
Carrington, North Dakota

Our audits of the financial records of the Foster County Soil Conservation District, Carrington, North Dakota, for the years ended December 31, 2017 and 2016 has disclosed opportunities for improvements in the operations of the soil conservation district. Items which we believe should be brought to your attention are set forth below:

\* \* \* \* \*

## PROJECT TREES

The soil conservation district includes the activity of The Regional Environmental Education Series (TREES) Project as part of its financial statements. During the course of the audit, I noted that the governing board was not being provided a copy of the financial statements and a listing of project transactions to review and approve. As one person is responsible for preparing these records, writing checks, depositing moneys and preparing the 319 Funding requests for reimbursement, governing board oversight would provide an additional layer of controls over these transactions. I would recommend that the governing board, at least on a quarterly basis, review copies of these financial statements and a list of transactions and note as being approved as part of the governing board's official minutes.

\* \* \* \* \*

This letter is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this letter which, upon acceptance by the soil conservation district, is a matter of public record.

We would like to acknowledge all the assistance and many courtesies extended to us by the personnel of the soil conservation district during our audits.



Rath and Mehrer, P.C.

May 4, 2018