STARK AND BILLINGS SOIL CONSERVATION DISTRICT
DICKINSON, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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STARK AND BILLINGS SOIL CONSERVATION DISTRICT
DICKINSON, NORTH DAKOTA

OFFICIALS

At December 31, 2017

Robert Wock	Supervisor / President
Dean Baar	Supervisor / Vice President
Ron Obritsch	Supervisor
Julie Hoff	Advisory Supervisor
Roger Klym	Supervisor
Ron Decker	Supervisor
Bonnie Twogood	Secretary / Treasurer

BRADY MARTZ
CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Stark and Billings Soil Conservation District
Dickinson, North Dakota

We have audited the accompanying modified cash basis financial statements of the governmental activities and the major fund of the Stark and Billings Soil Conservation District, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and the major fund of the Stark and Billings Soil Conservation District, as of December 31, 2017, and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Stark and Billings Soil Conservation District's basic financial statements. The budgetary comparison information, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2018, on our consideration of the Stark and Billings 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 Stark and Billings Soil Conservation District's internal control over financial reporting and compliance.

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

March 22, 2018

STARK AND BILLINGS SOIL CONSERVATION DISTRICT
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2017

ASSETS	
Cash	$ 336,708
Investments	240,000
Capital assets (net of accumulated depreciation):	181,730
Total assets	758,438
NET POSITION	
Net investment in capital assets	181,730
Unrestricted	576,708
Total net position	$ 758,438

STARK AND BILLINGS SOIL CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Conservation of natural resources	$ 442,700	$ 211,738	$ 16,813	$ (214,149)
Total governmental activities	$ 442,700	$ 211,738	$ 16,813	(214,149)
	General revenues:			
	Taxes:			
	Property taxes			231,029
	Earnings on investments			468
	Miscellaneous revenue			2,244
	Total general revenues			233,741
	Change in net position			19,592
	Net position - January 1			738,846
	Net position - December 31			$ 758,438

See Notes to the Financial Statements

STARK AND BILLINGS SOIL CONSERVATION DISTRICT
BALANCE SHEET - MODIFIED CASH BASIS - GOVERNMENTAL FUND
DECEMBER 31, 2017

ASSETS		
Cash	$	336,708
Investments		240,000
Total assets	$	576,708
FUND BALANCE		
Liabilities		
Fund balance		
Unassigned	$	576,708
Total liabilities and fund balance	$	576,708

Reconciliation of the Balance Sheet
to the Statement of Net Position
June 30, 2017

Total fund balance	$	576,708
Capital assets		181,730
Net position of governmental activities	$	758,438

See Notes to the Financial Statements

STARK AND BILLINGS SOIL CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS - GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

Revenue:	
Taxes	231,029
Intergovernmental	9,626
Charges for services	211,738
Reimbursements	7,187
Interest	468
Miscellaneous	2,244
Total revenues	462,292
Expenditures:	
Current	
Conservation of natural resources:	
Cost of goods sold	145,092
Business expenses	1,397
Conservation education	23,387
Dues and subscriptions	2,726
Insurance	5,243
Professional fees	650
Office supplies	11,267
Payroll	190,951
Fuel and oil	3,305
Repairs and maintenance	16,188
Website	914
Advertising	563
Utilities	2,316
Donations	2,100
Travel	328
Miscellaneous	303
Capital outlay	8,275
Total expenditures	415,005
Revenues over expenditures	47,287
Fund balance - January 1	529,421
Fund balance - December 31	$ 576,708

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Fund to the Statement of Activities
For the Two Years Ended June 30, 2017

Net changes in fund balance	$ 47,287
Purchase of capital assets	8,275
Depreciation expense on capital assets	(35,970)
Change in net position of governmental activities	$ 19,592

See Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Stark and Billings Soil Conservation District (District), operates on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles. The more significant of the government's accounting policies are described below.

Financial Reporting Entity

The accompanying financial statements present the activities of the Stark and Billings Soil Conservation District. The District has considered all potential component units for which the District is financially accountable and other organizations for which the nature and significance of their relationships with the District are such that exclusion would cause the 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. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the 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 District.

Based on these criteria, there are no component units of the Stark and Billings Soil Conservation District.

Basis of Presentation

Government-wide statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements describe the *governmental activities* of the District. 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 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, fines 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 District's funds. The emphasis of fund financial statements is on major governmental funds.

The District reports the following major governmental fund:

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

Measurement Focus / Basis of Accounting

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 modified cash basis of accounting. Revenues are recorded when received and expenses are recorded when they are paid. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. Revenue from grants, entitlements, and donations is recognized when they are received.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified cash basis of accounting. Under this method, revenues are recognized when received. Expenditures are recorded when payment is made, except for principal and interest on general long-term debt, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

Cash

Cash includes amounts in demand deposits and money market accounts.

Investments

Investments consists entirely of certificates of deposit.

Capital Assets

Capital assets include building and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. All major capital assets are capitalized. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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 of is not capitalized.

Capital assets are depreciated using the straight line method with and estimated useful life of five years for equipment and twenty years for buildings.

Fund Balance Classifications

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Board of Supervisors-the District's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Supervisors removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification reflects the amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board of Supervisors has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the District's preference is to first use restricted resources, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

The District does not have a minimum fund balance policy.

Net Position

Net position represents the difference between assets plus deferred outflow of resources and liabilities plus deferred inflow of resources. Net investment in capital assets, consists of the remaining un-depreciated cost of the asset less the outstanding debt associated with the purchase or construction of the related asset.

Net position is reported as restricted when external creditors, grantors, or other governmental organizations imposed specific restrictions on the District. External restrictions may be imposed through state or local laws, and grant or contract provisions.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 DEPOSITS

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 investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the state of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board.

The District maintains cash on deposit at a financial institution. The amounts on deposit were insured by the FDIC up to $250,000. At December 31, 2017, the Districts carrying amount of deposits was $576,708 and the bank balance was $586,645, of which $250,000 was covered by FDIC, $257,856 was covered by securities pledged in the District's name and the remaining $78,789 was uncollateralized.

Credit Risk:

The 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.

As of December 31, 2017, the District's investments consisted entirely of certificates of deposit.

Concentration of Credit Risk:

The District does not have a limit on the amount the District may invest in any one issuer. The District does not have an investment policy that specifically addresses credit risk.

NOTE 3 CAPITAL ASSETS

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

	1/1/17 Balance	Additions	Decreases	12/31/17 Balance
Governmental activities				
Capital assets, being depreciated				
Building	$ 181,955	$ -	$ -	$ 181,955
Equipment	153,941	8,275	-	162,216
Total capital assets, being depreciated	335,896	8,275	-	344,171
Less accumulated depreciation for:				
Building	(50,100)	-	-	(50,100)
Equipment	(76,371)	(35,970)	-	(112,341)
Total accumulated depreciation	(126,471)	(35,970)	-	(162,441)
Governmental activities capital assets, net	$ 209,425	$ (27,695)	$ -	$ 181,730

Depreciation expense of $35,970 was charged to conservation of natural resources.

NOTE 4 PROPERTY TAXES

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 received the discount on the property taxes.

NOTE 5 DEFINED BENEFIT PLAN

The District participates in the North Dakota Public Employees' Retirement System administered by the State of North Dakota. 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 provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

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

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

At December 31, 2017, the District's proportionate share of the net pension liability was $158,499. 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 District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2017, the District's proportion was 0.009861 percent, which was a decrease of 0.000106 from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the District's required and actual contributions to NDPERS for the fiscal year ending 2017 was $7,273.

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%

Salary increases (continued)	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%.

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 Equity	31%	6.05%
International Equity	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 benefit payments, which is the case for 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 an 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 projected benefit payments through the year 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 District'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%)
Employer's proportionate share of the net pension liability	$215,167	$158,499	$111,353

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

NOTE 6 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 NDAC Chapter 71-06 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 Liability and OPEB Expense

At December 31, 2017, the District’s proportionate share of the net OPEB liability was $7.360. The net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2017, the District's proportion was 0.009305 percent.

For the year ended December 31, 2017, the District recognized OPEB expense of $1,164.

Actuarial assumptions. The total OPEB 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
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%.

The long-term expected investment rate of return assumption 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 RHIC's target asset allocation as of July 1, 2017 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 7.75%. 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 sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC 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 (6.5%)	**Current Discount Rate (7.5%)**	**1% Increase (8.5%)**
Employer's proportionate share of the net OPEB liability	$9,214	$7,360	$5,771

NOTE 7 RISK MANAGEMENT

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

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

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of two million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides the District with blanket fidelity bond coverage in the amount of $245,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The District has workers compensation with the North Dakota Workforce, Safety and Insurance. The District will pay the equivalent of a single person for the coverage of medical, dental and vision insurance. The employee is responsible for the difference if family coverage is needed.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past four years.

NOTE 8 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District's general fund expenditures exceeded budgeted appropriations by $13,055 for the year ended December 31, 2017.

NOTE 9 CONSOLIDATION

The District was formed as a result of the consolidation between Western Soil Conservation District and Central Stark County Soil Conservation District. The operations of both districts were consolidated beginning January 1, 2017. The primary reasons for consolidation were: (1) work more efficiently (one staff, one board and one set of accounting records), (2) reduce the number of board meetings from three to one and (3) equalization of funding (pay one set of dues to organizations).

NOTE 10 SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 22, 2018, which is the date these financial statements were available to be issued.

STARK AND BILLINGS SOIL CONSERVATION DISTRICT
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Original & Final Budget	Actual	Variance with Budget
Revenue:			
Taxes	$ 217,000	$ 231,029	$ 14,029
Intergovernmental	16,000	9,626	(6,374)
Charges for services	185,000	211,738	26,738
Reimbursements	9,000	7,187	(1,813)
Interest	175	468	293
Miscellaneous	2,000	2,244	244
Total revenues	429,175	462,292	33,117
Expenditures:			
Current			
Conservation of natural resources:			
Cost of goods sold	63,000	145,092	(82,092)
Business expenses	-	1,397	(1,397)
Conservation education	25,000	23,387	1,613
Dues and subscriptions	5,000	2,726	2,274
Insurance	5,000	5,243	(243)
Professional fees	550	650	(100)
Office supplies	8,150	11,267	(3,117)
Payroll	219,000	190,951	28,049
Fuel and oil	-	3,305	(3,305)
Repairs and maintenance	1,000	16,188	(15,188)
Website	-	914	(914)
Advertising	-	563	(563)
Utilities	-	2,316	(2,316)
Donations	-	2,100	(2,100)
Travel	1,250	328	922
Miscellaneous	2,500	303	2,197
Depreciation	47,500	-	47,500
Capital outlay	24,000	8,275	15,725
Total expenditures	401,950	415,005	(13,055)
Revenues over expenditures	$ 27,225	47,287	$ 20,062
Fund balance - January 1		529,421	
Fund balance - December 31		$ 576,708	

STARK AND BILLINGS SOIL CONSERVATION DISTRICT
NOTE TO THE SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

- The District adopts an “appropriated budget” on the basis consistent with accounting principles generally accepted in the United States, as applied under the modified cash basis of accounting for its general fund.

- The budget includes proposed expenditures and means of financing them.

- The district, on or before the October meeting shall determine the amount of taxes that shall be levied for each count and shall levy all such taxes in specific amounts. (NDCC 11-23-05)

- Each budget is controlled by the secretary / treasurer at the revenue and expenditure function / object level.

- The current budget, except property taxes, may be amended during the year for any revenues an appropriations not anticipated at the time the budget was prepared. (NDCC 57-15-31.1)

CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

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

To the Board of Supervisors
Stark and Billings Soil Conservation District
Dickinson, 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 Stark and Billings Soil Conservation District, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 22, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Stark and Billings 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

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 deficiencies described in the accompanying schedule of findings and responses as item 2017-003 to be a material weakness.

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. We consider the deficiencies described in the accompany schedule of findings and responses as items 2017-001 and 2017-002 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Stark and Billings 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2017-004.

District's Responses to Findings

The Stark and Billings Soil Conservation District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

March 22, 2018

STARK AND BILLINGS SOIL CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017

2017-001

Criteria
Generally, a system of internal control has the proper separation of duties between authorization, custody, record keeping and reconciliation.

Condition
There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keeping and reconciliation.

Cause
Size and budget constraints limit the number of personnel within the accounting department.

Effect
The design of the internal control over financial reporting could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation
The areas should be reviewed periodically and consideration given to improving the segregation of duties. Compensating controls over the underlying financial information may be obtained through oversight by management and the board.

Views of Responsible Officials and Planned Corrective Actions
The District has segregated the accounting duties to the appropriate individuals to the extent possible. Because of the very limited number of staff available for the District, all of the accounting duties cannot be totally segregated in such a way as to eliminate this reportable condition. The only alternative available to the District would be the hiring of additional staff, and current cash flows do not justify it. The District has reviewed the internal controls and procedures in place and believes the procedures in place provide adequate controls under these circumstances.

2017-002

Criteria
An appropriate system of internal control requires the entity to determine that financial statements are properly stated in compliance with accounting principles generally accepted in the United States of America, as applied under the modified cash basis of accounting. This requires the District's personnel to maintain knowledge of current accounting principles and required financial statement disclosures.

Condition
The District's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the District does not have internal resources to prepare full-disclosure financial statements for external reporting.

Cause
The District's internal controls have not been designed to address the specific training needs that are required of its personnel to obtain and maintain knowledge of current accounting principles and required financial statement disclosures.

Effect
An appropriate system of internal controls is not present to make a determination that financial statements and the related disclosures are fairly stated in compliance with accounting principles generally accepted in the United States of America. However, the District is aware of the

deficiency and addresses it by reviewing and approving the completed statements prior to distribution to the end users.

Recommendation
We recommend that the District reviews its current training system to determine if it is cost effective for the entity to obtain this knowledge internally. As a compensating control the entity should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Views of Responsible Officials and Planned Corrective Actions
Due to the financial, efficiency and time constraints, it has been determined by Stark and Billings Soil Conservation District's management that it is in the best interest of Stark and Billings Soil Conservation District and all interested parties to have the footnotes to the financial statements prepared by the auditing firm at the time of the audit.

2017-003: Material Weakness

Criteria
The District is required to maintain internal controls at a level where support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with the modified cash basis of accounting.

Condition
During our audit, adjusting journal entries were proposed in order to properly reflect the financial statements in accordance with the modified cash basis of accounting.

Cause
The District's internal controls have not been designed to address the specific training needs that are required to maintain the general ledger accounts on a the modified cash basis of accounting.

Effect
An appropriate system of internal controls is not present to make a determination that the general ledger accounts are properly adjusted in compliance with the modified cash basis of accounting prior to the audit.

Recommendation
Accounting personnel will need to determine the proper balance in each general ledger account prior to audit. We recommend that the entity reviews its current training system to determine if it is cost effective for the entity to obtain this knowledge internally.

Views of Responsible Officials and Planned Corrective Actions
Due to the financial, efficiency and time constraints, it has been determined by the District and the management of the Stark and Billings Soil Conservation District that it is in the best interest of District, the Stark and Billings Soil Conservation District and all interested parties to have adjustments proposed by the auditing firm in order to for the general ledger accounts to be reflected on a GAAP basis.

2017-004

Criteria
In accordance with North Dakota Century Code 21-04-09, if a public corporation desires to deposit an amount greater than a depositories insurance (FDIC, FSLIC, or NCUE) and did not receive a personal or surety bond, the excess amount must be protected by a bond or by

collateral, which, when computed at market value, shall be at least ten percent more than the amount of the excess deposit.

Condition
The District had a balance of $586,645 on deposit at one financial institution as of December 31, 2017 that was covered by $250,000 of FDIC coverage and pledged securities of $257,856 with the remaining balance of $78,789 uncollateralized.

Cause
The value of pledged securities totaled $257,856. The value of pledged securities required by North Dakota Century Code 21-04-09 was $370,310. The District was under collateralized by approximately $112,500.

Effect
The District did not have all their deposits adequately covered by FDIC coverage and / or pledged securities as of December 31, 2017 and is not in compliance with North Dakota Century Code 21-04-09.

Recommendation
We recommend the District review all bank accounts and pledged securities to ensure all deposits are adequately covered by FDIC coverage and / or pledged securities.

Views of Responsible Officials and Planned Corrective Actions
The Board of Supervisors will work with their banks to correct this in the next fiscal year.