

WILD RICE SOIL  
CONSERVATION DISTRICT  
Forman, North Dakota

REPORT ON FINANCIAL STATEMENTS  
(with supplementary information)  
Year Ended December 31, 2016

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V. NELSON CPA, LTD.



WILD RICE SOIL CONSERVATION DISTRICT  
Forman, North Dakota

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For the Year Ended December 31, 2016

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WILD RICE SOIL CONSERVATION DISTRICT  
Forman, North Dakota

Officials

At December 31, 2016

Joe Breker  
Duayne Baldwin  
Roger Zetocha  
Kent Carpenter  
Bruce Speich

Trace Hansen  
Bonnie Anderson  
Raina Ruch  
Kelly Cooper

Chairman  
Vice-Chairman  
Secretary/Treasurer  
Supervisor  
Supervisor

Watershed Coordinator 319  
Office Coordinator  
District Coordinator  
CCSP Farm Manager



V. NELSON CPA LTD.

INDEPENDENT AUDITOR'S REPORT

516 Main Avenue  
Oakes, ND 58474  
(701)742-3375  
fax(701)742-3376

To the District Supervisors  
WILD RICE SOIL CONSERVATION DISTRICT  
Forman, North Dakota

We have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund of Wild Rice Soil Conservation District, as of and for the year ended December 31, 2016, 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 C; 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.

WILD RICE SOIL CONSERVATION DISTRICT  
INDEPENDENT AUDITOR'S REPORT-CONTINUED

**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 each major fund of Wild Rice Soil Conservation District as of December 31, 2016, and the respective changes in modified cash basis financial position and where applicable, cash flows, thereof for the year then ended in accordance with the modified cash basis of accounting described in Note C.

**Basis of Accounting**

We draw attention to Note C 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**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-8 and 23-24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wild Rice Soil Conservation District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedure applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

WILD RICE SOIL CONSERVATION DISTRICT  
INDEPENDENT AUDITOR'S REPORT-CONTINUED

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2017, on our consideration of Wild Rice 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 Wild Rice Soil Conservation District's internal control over financial reporting and compliance.

*Versella Nelson, CPA*

Versella Nelson, CPA  
V. Nelson CPA, Ltd.

Oakes, North Dakota  
September 11, 2017

**WILD RICE SOIL CONSERVATION DISTRICT**  
**Forman, North Dakota**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended December 31, 2016**

The section of WILD RICE SOIL CONSERVATION DISTRICT'S annual financial report presents an analysis of the District's financial performance for the year ended December 31, 2016. This information is presented in conjunction with the accompanying financial statements, which follow this section.

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

**Overview of the Financial Statements**

This annual report consists of the following three parts: management's discussion and analysis financial statements and supplementary information. The financial statements include notes which explain in detail some of the information included in the financial statements.

**Required Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of WILD RICE SOIL CONSERVATION DISTRICT'S finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of 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 District is improving or deteriorating.

The Statement of Activities presents information on how the District's net position changed during the most recent year. The statement is presented using the modified cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Some expenses are reported in the statement for items that will only result in cash flows in future periods (for example, earned, but unused vacation leave).

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The WILD RICE SOIL CONSERVATION DISTRICT, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statement provides detailed information about the District's significant funds - not the District as a whole.

WILD RICE SOIL CONSERVATION DISTRICT  
Forman, North Dakota  
MANAGEMENT'S DISCUSSION AND ANALYSIS - continued  
Year Ended December 31, 2016

**Fund Financial Statements - continued**

*Governmental Funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The governmental fund statements provide a detailed short-term view of the governmental operations and the basic services it provides, and are reported on the modified cash basis of accounting which focuses on available spendable resources. This allows the reader to evaluate the District's short-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Both the government fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate the comparison between the governmental funds and the government-wide financial statements.

Information is presented separately in the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances for the general fund and the special revenue funds, 319 fund and conservation cropping systems.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Financial Analysis of the District as a Whole**

As noted earlier, net position may serve as a useful indicator of a government's financial position over time. In the case of the District, assets exceed liabilities by \$641,508 at the close of the most recent year.

The portion of the District's net position (61%) reflects the investment in capital assets less accumulated depreciation. The District uses these capital assets to provide services to users; consequently, these assets are not available for future spending.

An additional portion of the District's net position (12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (27%) may be used to meet the government's ongoing obligations. At the end of the current year, the District is able to report positive balances in all three categories of net position, for the government as a whole.

During the current year, the District's net position increased by \$92,299. This increase is primarily due to a increase in assets of \$78,448. The District's total liabilities decreased by \$13,851.



WILD RICE SOIL CONSERVATION DISTRICT  
Forman, North Dakota  
MANAGEMENT'S DISCUSSION AND ANALYSIS - continued  
Year Ended December 31, 2016

The following tables present condensed information of the District's Net Position and Changes in Net Position for the years ended December 31, 2016 and 2015.

Table I  
NET POSITION

	<u>2016</u>	<u>2015</u>	<u>Change</u>
ASSETS			
Current Assets	\$307,987	\$184,154	\$ 123,833
Capital Assets, net	<u>391,985</u>	<u>437,370</u>	<u>(45,385)</u>
Total Assets	699,972	621,524	78,448
LIABILITIES			
Current Liabilities	3,783	714	3,069
Long-term Liabilities	<u>54,681</u>	<u>71,601</u>	<u>(16,920)</u>
Total Liabilities	58,464	72,315	(13,851)
NET POSITION			
Net investment in capital assets	391,985	437,370	(45,385)
Restricted	75,965	61,539	14,426
Unrestricted	<u>173,558</u>	<u>50,300</u>	<u>123,258</u>
Total Net Position	<u>\$641,508</u>	<u>\$549,209</u>	<u>\$ 92,299</u>

Table II  
CHANGE IN NET POSITION

	<u>2016</u>	<u>2015</u>	<u>Change</u>
REVENUES			
Program revenues			
Charges for services	\$745,768	\$430,739	\$ 315,029
Operating grants	180,633	146,043	34,590
General revenues			
Property taxes	31,910	33,484	(1,574)
Investment earnings	2,027	320	1,707
Miscellaneous	50,350	60,534	(10,184)
Gain (Loss) on Sale of Assets	<u>(14,650)</u>	<u>3,447</u>	<u>(18,097)</u>
Total Revenues	<u>996,038</u>	<u>674,567</u>	<u>321,471</u>
EXPENSES			
Conservation of natural resources	<u>903,739</u>	<u>746,983</u>	<u>156,756</u>
Change in Net Position	92,299	(72,416)	164,715
Net Position, Beginning	<u>549,209</u>	<u>621,625</u>	<u>(72,416)</u>
Net Position, Ending	<u>\$641,508</u>	<u>\$549,209</u>	<u>\$ 92,299</u>

Charges for services increased by \$315,029. Operating grants increased by \$34,590. Tax Revenues decreased by \$1,574.

WILD RICE SOIL CONSERVATION DISTRICT  
Forman, North Dakota  
MANAGEMENT'S DISCUSSION AND ANALYSIS - continued  
Year Ended December 31, 2016

**General Fund Budgetary Highlights**

Actual revenue of \$664,667 was \$229,922 (52.9%) more than budgeted revenues of \$434,745 for the year ending December 31, 2016. The largest variance in revenues compared to budget was charges for services. Actual expenses of \$568,650 were \$155,826 (37.7%) more than budgeted expenses of \$412,824 for the year ending December 31, 2016. The largest variance in expenditures compared to budget was trees and other supplies.

**Capital Assets**

As of December 31, 2016, Wild Rice Soil Conservation District had \$391,985 (net of accumulated depreciation) invested in capital assets. The decrease of \$45,385 was due to disposal of a composter and depreciation. The total decrease in Wild Rice Soil Conservation District's investment in capital assets for the current year was \$45,385 (10.3%). Table III shows the balances as of December 31, 2016 and 2015.

Table III  
CAPITAL ASSETS

	<u>2016</u>	<u>2015</u>
Land and Building	\$440,632	\$440,632
Equipment	332,349	369,449
Less accumulated depreciation	<u>(380,996)</u>	<u>(372,711)</u>
Capital Assets, net of depreciation	<u>\$391,985</u>	<u>\$437,370</u>

**Long-Term Liabilities**

At December 31, 2016, the District had \$54,681 of long-term outstanding debt, consisting of accrued compensated absences of \$12,339 and the notes totaled \$42,342 at December 31, 2016. There were principal payments of \$15,929. Wild Rice Soil Conservation's total long-term liabilities decreased during the year by \$16,920 (23.6%).

**Economic Factors and Next Years Budget**

Wild Rice Soil Conservation District's elected officials take into consideration many factors when setting their annual budget. The cost of product and services vary from year to year. The budget is adjusted annually to make up for these changes. Salaries, benefits, and insurance can be projected and adjustments made from year to year. Where the District struggles, is in the likelihood of receiving grants that can't be foreseen. As these opportunities present themselves the District's employees pursue them, this can add to the annual budget and require revision. At this time there are no grants available outside those listed in the budgets presented.

**Contracting the District's Financial Management**

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for money it receives. Anyone who has questions about the information contained in this report or who is interested in receiving additional information is encouraged to contact Wild Rice Soil Conservation District, 8991 Highway 32, Suite 2, Forman, North Dakota 58032-9702.

WILD RICE SOIL CONSERVATION DISTRICT  
Forman, North Dakota

Statement of Net Position - Modified Cash Basis  
December 31, 2016

	<u>Governmental Activities</u>
<b>ASSETS</b>	
<u>Current Assets:</u>	
Cash and cash equivalents	\$242,146
Investments	18,618
Inventory	47,223
<u>Noncurrent Assets:</u>	
Capital Assets	
Land & Building	440,632
Equipment	332,349
Less: Accumulated Depreciation	<u>(380,996)</u>
Total Capital Assets	<u>391,985</u>
Total Assets	<u>699,972</u>
 <b>LIABILITIES</b>	
Accounts payable and accrued expenses	3,783
<u>Long-term liabilities:</u>	
Due Within One Year	
Loan Payable	15,142
Due After One Year	
Loan Payable	27,200
Compensated absences	<u>12,339</u>
Total Liabilities	<u>58,464</u>
 <b>NET POSITION</b>	
Net Investment in Capital Assets	391,985
Restricted for:	
Special purposes	75,965
Unrestricted	<u>173,558</u>
Total Net Position	<u>\$641,508</u>

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



WILD RICE SOIL CONSERVATION DISTRICT  
Forman, North Dakota

Balance Sheet - Modified Cash Basis  
Governmental Funds  
December 31, 2016

	Major Funds			Total Governmental Funds
	General Fund	319 Fund	Conservation Cropping Systems	
<b>ASSETS</b>				
Cash and cash equivalents	\$183,527	\$ 44,149	\$ 14,470	\$242,146
Investments	0		18,618	18,618
Inventory	47,223	0		47,223
Total assets	<u>\$230,750</u>	<u>\$ 44,149</u>	<u>33,088</u>	<u>\$307,987</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Other payables	\$ 2,511	\$ 1,210	62	\$ 3,783
Total liabilities	<u>2,511</u>	<u>1,210</u>	<u>62</u>	<u>3,783</u>
Fund balances:				
Nonspendable:				
Inventories	47,223			47,223
Restricted		42,939	33,026	75,965
Unassigned	181,016			181,016
Total fund balances	<u>228,239</u>	<u>42,939</u>	<u>33,026</u>	<u>304,204</u>
Total liabilities and fund balances	<u>\$230,750</u>	<u>\$ 44,149</u>	<u>\$ 33,088</u>	<u>\$307,987</u>

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

WILD RICE SOIL CONSERVATION DISTRICT  
Forman, North Dakota

Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Position - Modified Cash Basis  
December 31, 2016

Total fund balance for governmental funds	\$304,204
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	391,985
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Some liabilities, (such as Long-term Compensated Absences), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.

Compensated Absences	(12,339)	
Loans Payable	<u>(42,342)</u>	
		<u>(54,681)</u>

Total Net Position of Governmental Activities	<u>\$641,508</u>
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The accompanying notes are an integral part of these financial statements.

WILD RICE SOIL CONSERVATION DISTRICT  
Forman, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances  
- Modified Cash Basis  
Governmental Funds  
For the Year Ended December 31, 2016

	Major Funds			Total Govern- mental Funds
	General Fund	319 Fund	Conser- vation Cropping Systems	
<b>REVENUES</b>				
Property Taxes	\$ 31,910	\$	\$	\$ 31,910
Intergovernmental	12,132	149,705	18,796	180,633
Charges for services	592,437	81,646	71,685	745,768
Investment earnings	438	1,564	25	2,027
Miscellaneous	27,750	22,350	250	50,350
Total revenues	<u>664,667</u>	<u>255,265</u>	<u>90,756</u>	<u>1,010,688</u>
<b>EXPENDITURES</b>				
Current:				
Conservation of Natural Resources:				
Crop	0	0	32,553	32,553
Administration & office expense	33,256	6,581	7,675	47,512
Payroll expense	134,655	77,480	47,660	259,795
Education expense	2,805	2,360	125	5,290
Building expense	15,859	0	0	15,859
Machinery & repairs	21,439	241	2,781	24,461
BMP's	0	13,727	0	13,727
Trees & other supply expense	276,012	107,408	0	383,420
Other	78,219	24,098	201	102,518
Capital Outlay	0	0		0
Debt Service				
Principal	5,929	10,000		15,929
Interest	476	1,205		1,681
Total Expenditures	<u>568,650</u>	<u>243,100</u>	<u>90,995</u>	<u>902,745</u>
Excess (deficiency) of revenues over expenditures	96,017	12,165	(239)	107,943
<b>Other Financing Sources (Uses)</b>				
Loan Proceeds issued	0			0
Proceeds from the sale of Capital Assets	<u>0</u>	<u>2,500</u>	<u>0</u>	<u>2,500</u>
Total other financing Sources and uses	0	2,500	0	2,500
Net change in fund balances	96,017	14,665	(239)	110,443
Fund balances - January 1	121,901	28,274	33,265	183,440
Increase in reserve for inventories	10,321			10,321
Fund balances - December 31	<u>\$228,239</u>	<u>\$ 42,939</u>	<u>\$ 33,026</u>	<u>\$ 304,204</u>

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

WILD RICE SOIL CONSERVATION DISTRICT  
Forman, North Dakota

Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds to the  
Statement of Activities - Modified Cash Basis  
For the Year Ended December 31, 2016

Net change in fund balances - total governmental funds:	\$110,443
Change in fund balance due to change in reserve for inventory	10,321
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays \$0 is less than depreciation \$28,235 in the current period.	(28,235)
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
Net change in compensated absences	991
The issuance of long-term obligations provides current financial resources to governmental funds, but issuing debt also increases long-term liabilities in the statement of net position.	0
Repayment of principal and other long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position	15,929
The net effect of sales transactions involving Capital assets	(14,650)
Gain on the sale or disposal of capital assets reported in fund statements, but not reported in the Statement of Activities	<u>(2,500)</u>
Change in net position of governmental activities	<u>\$ 92,299</u>

The accompanying notes are an integral part of these financial statements



**WILD RICE SOIL CONSERVATION DISTRICT**  
**Forman, North Dakota**

**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended December 31, 2016**

**1. Summary of Significant Accounting Policies**

The Wild Rice Soil Conservation District, Forman, North Dakota 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 accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**A. Description of the Reporting Entity**

The accompanying financial statements present the activities of Wild Rice 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 Wild Rice 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 Wild Rice Soil Conservation District.

Based on these criteria, there are no component units of Wild Rice Soil Conservation District.

**B. Basis of Presentation**

***Government-Wide Financial Statements***

The statement of net position and the statement of activities display information about the primary government, Wild Rice 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. 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.

WILD RICE SOIL CONSERVATION DISTRICT  
Forman, North Dakota  
NOTES TO FINANCIAL STATEMENTS - continued  
Year Ended December 31, 2016

**B. Basis of Presentation - continued**

*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 funds:

*General Fund*

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

*319 Fund*

This fund accounts for all financial resources for the 319 Non Point Implementation Grants.

*Conservation Cropping Systems Project*

This fund accounts for all financial resources for the conservation cropping systems project.

**C. Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue billed or services provided but not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements for the governmental fund would use the modified accrual basis of accounting. The government-wide financials would be presented on the accrual basis of accounting.

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

WILD RICE SOIL CONSERVATION DISTRICT  
Forman, North Dakota  
NOTES TO FINANCIAL STATEMENTS - continued  
Year Ended December 31, 2016

D. Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, the governmental activities are presented using the economic resources measurement focus, within the limits of the modified cash basis of accounting, as defined above.

In the fund financial statement, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a. The government fund utilizes a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

E. Deposits and Investments

In accordance with North Dakota State 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 form 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 any other state of the United States or such other securities approved by the banking board.

*Credit risk.* The District may invest idle funds as authorized in North Dakota Statutes, as follows:

WILD RICE SOIL CONSERVATION DISTRICT  
Forman, North Dakota  
NOTES TO FINANCIAL STATEMENTS - continued  
Year Ended December 31, 2016

**E. Deposits and Investments - continued**

1. Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an 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 the type listed above.
3. Certificates of Deposit fully insured by the federal deposit insurance corporation.
4. Obligations of the state.

Cash and cash equivalents include amounts in demand deposits, money market accounts and highly liquid short-term investments with original maturities of 3 months or less. As of December 31, 2016, the District held a money market with maturities in excess of 3 months in the amount of \$18,618, which are considered investments.

*Custodial credit risk.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk.

*Interest rate risk.* The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

At year ended December 31, 2016, the District's carrying amount of deposits was \$242,146 and the bank balance was \$255,028. The bank balance was covered by Federal Depository Insurance.

**F. Inventories**

The inventories of the Supervisors are valued at cost and the Supervisors use the first-in, first-out (FIFO) flow assumption in determining cost. The inventories of the Supervisor's General Fund consist of expendable materials and supplies which are recorded as expenditures when purchased. The General Fund inventories do not reflect current appropriable resources; thus, an equivalent portion of fund balance is reserved.

**G. Capital Assets**

***Government-Wide Statements***

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported as assets in the fund financial statements. All capital assets are recorded at cost. The assets are updated for additions and deletions during the year. The District has established a capitalization threshold of \$3,000. The District does not have any infrastructure assets.

WILD RICE SOIL CONSERVATION DISTRICT  
Forman, North Dakota  
NOTES TO FINANCIAL STATEMENTS - continued  
Year Ended December 31, 2016

G. Capital Assets - continued

The cost of normal maintenance and repairs that do not add to the value of asset or materially extend asset lives are not capitalized.

All of the District's assets are depreciated over their estimated useful lives on a straight-line basis. The District has established the following useful lives:

Equipment	7 years
Building	20 years

*Fund Financial Statements*

In the fund financial statements, capital assets in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

H. 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 receive the discount on the property taxes.

I. Fund Balances/Net Position

In the governmental fund financial statements fund balance is reported in five classifications. Nonspendable fund balance is the amount that is not in spendable form. Restricted for debt service is the portion of fund balance that is restricted for use on debt services. Committed is that portion of fund balance that has been approved by the highest level of formal action of the district supervisors and does not lapse at year-end. The District does not have any committed fund balance this fiscal year. Assigned is the portion of fund balance that has been approved by formal action of the district supervisors and does lapse at year end.

Unassigned is the fund balance that has not been reported in any other classification. The Wild Rice Soil Conservation District does not have a revenue spending policy that provides policy for programs with multiple revenue sources.

WILD RICE SOIL CONSERVATION DISTRICT  
Forman, North Dakota  
NOTES TO FINANCIAL STATEMENTS - continued  
Year Ended December 31, 2016

I. Fund Balances/Net Position - continued

The Auditor uses resources in following hierarchy, bond proceeds, federal funds, state funds and local funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The District has the authority to deviate from this policy if it is in the best interest of the district. There is no stabilization amounts. The District has not set a minimum fund balance.

Net Position

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

Prior to GASB 63, amounts were reported as equity on the statement of net assets in two primary categories (restricted and unrestricted). Subsequent to GASB 63, the statement of net assets was changed to the statement of net position, and net assets equity was changed to net position. Net position is shown in two primary categories (restricted and unrestricted), outlined in further detail as follows:

Restrictions of net position shown in the statement of net position are due to restricted tax levies, restricted Federal & State grants/reimbursements, and restricted amounts for unspent bond proceeds reported in debt service and capital projects funds. Additionally, restricted net position is shown in the statement of net position by primary function as fund balance are shown in the balance sheet, and is restricted for special purposes.

Unrestricted net position consists of activity primarily related to the general fund amounts at year-end. The unrestricted net position is available to meet the District's ongoing obligations.

2. Legal Compliance

The District's governing board did not amend the budgets for the year ending December 31, 2016.

3. Capital Assets

Capital asset activity for the year ended December 31, 2016, was as follows:

	Balance 12/31/15	Additions	Deletions	Balance 12/31/16
Capital assets being depreciated				
Land & Building	\$440,632	\$	\$	\$440,632
Equipment	369,449	0	37,100	332,349
Less accumulated depreciation	<u>372,711</u>	<u>28,235</u>	<u>19,950</u>	<u>380,996</u>
Net Capital Assets	<u>\$437,370</u>	<u>\$(28,235)</u>	<u>\$17,150</u>	<u>\$391,985</u>
Depreciation by function				
Conservation of natural resources				<u>\$ 28,235</u>

WILD RICE SOIL CONSERVATION DISTRICT  
Forman, North Dakota  
NOTES TO FINANCIAL STATEMENTS - continued  
Year Ended December 31, 2016

4. Compensated Absences

Full time regular District employees are granted vacation benefits from 4 to 8 hours per pay period depending on tenure with the District. Vacation benefits may accrue to a total of 240 hours. All unused vacation will be paid out to employees upon termination of employment. Sick leave is granted at the rate of 4 hours per month. There is no limit on the amount of sick leave that can be accumulated. Upon termination of employment, sick leave will not be paid out. Vested or accumulated leave is reported in the long-term liabilities.

5. Lease Commitments

There are no lease commitments at December 31, 2016.

6. Long-Term Liabilities

During the year ended December 31, 2016, the following changes occurred in long-term liabilities of the District.

Governmental Activities

	Balance 1-1-16	Increases	Decreases	Balance 12-31-16	Due Within One Year
Farmall Tractor	28,648	0	5,929	22,719	5,272
Tractor loan	29,623		10,000	19,623	9,870
Total	58,271	0	15,929	42,342	15,142

\$39,123 entered in September 30, 2014, with annual payments (including interest) of \$10,687, beginning June 30, 2015, through June 30, 2018, which includes interest at 4.0%. This is secured by the Case IH Tractor. \$19,623

\$35,500 loan entered in May 14, 2015, with annual payments of \$6,405, beginning May 1, 2016, through May 1, 2020, which includes interest at 4.99%. There was a down payment of \$7,100 on May 27, 2015. This is secured by the 2008 CIH Farmall Tractor.

22,719  
\$42,342  
15,142  
\$27,200

Due in one year

	Case IH Tractor		CIH Tractor	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	9,870	817	5,272	1,133
2018	9,753	416	5,535	870
2019	0	0	5,811	594
2020	0	0	6,101	304
	19,623	1,233	22,719	2,901

WILD RICE SOIL CONSERVATION DISTRICT  
Forman, North Dakota  
NOTES TO FINANCIAL STATEMENTS - continued  
Year Ended December 31, 2016

**7. Retirement Plan**

The district provides retirement benefits for all full time employees through contribution to a SIMPLE Plan. To participate, each employee must agree to contribute 3% of their earnings. Voluntary additional amounts may be made towards the plan by the employee if in compliance with the plan. The district will match each participants 3% contribution. Obligations to contribute are established by district ordinance. Each account has an account maintained under his or her own name. A deduction for the pension plan is made monthly and forwarded to the plan account. Upon termination of employment, a participant receives 100% of the value of his or her mandatory and voluntary contributions and the district's contribution if fully vested. The district total contribution for the years ended December 31, 2016, 2015 and 2014 were \$2,150, \$1,304 and \$0, respectively.

**8. Legal Compliance - Budgets**

The District's governing board did not amend the budgets for the year ending December 31, 2016.

**9. Risk Management**

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

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

The Wild Rice Soil Conservation District also participates in the State Bonding Fund. The State Bonding Fund currently provides Wild Rice Soil Conservation District with blanket fidelity bond coverage in the amount of \$156,000 for December 31, 2016. The State Bonding Fund doe not currently charge any premium for this coverage.

The Wild Rice Soil Conservation District has workers compensation with the North Dakota Workforce Safety and Insurance.

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



**REQUIRED**

**SUPPLEMENTARY INFORMATION**

WILD RICE SOIL CONSERVATION DISTRICT  
Forman, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
General Fund  
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property Taxes	\$ 33,000	\$ 33,000	\$ 31,910	\$ (1,090)
Intergovernmental	7,000	7,000	12,132	5,132
Charges for services	346,450	346,450	592,437	245,987
Investment earnings	44	44	438	394
Miscellaneous	<u>48,251</u>	<u>48,251</u>	<u>27,750</u>	<u>(20,501)</u>
Total revenues	<u>434,745</u>	<u>434,745</u>	<u>664,667</u>	<u>229,922</u>
<b>EXPENDITURES</b>				
Current:				
Conservation of Natural Resources				
Administration & office expense	27,619	27,619	33,256	(5,637)
Payroll expense	111,980	111,980	134,655	(22,675)
Education expense	2,775	2,775	2,805	(30)
Building expense	5,250	5,250	15,859	(10,609)
Machinery & repairs	5,000	5,000	21,439	(16,439)
Trees & other supply expense	205,200	205,200	276,012	(70,812)
Other	55,000	55,000	78,219	(23,219)
Capital Outlay	0	0	0	0
Debt Service				
Principal	0	0	5,929	(5,929)
Interest	<u>0</u>	<u>0</u>	<u>476</u>	<u>(476)</u>
Total Expenditures	<u>412,824</u>	<u>412,824</u>	<u>568,650</u>	<u>(155,826)</u>
Excess (deficiency of revenues over expenditures)	21,921	21,921	96,017	74,096
<b>Other Financing Sources (uses)</b>				
Loan Proceeds issued			0	0
Proceeds from the sale of Capital Assets	<u>38,650</u>	<u>38,650</u>	<u>0</u>	<u>(38,650)</u>
Total other financing Sources and uses	38,650	38,650	0	(38,650)
Net change in fund balances	60,571	60,571	96,017	35,446
Fund balances - beginning	121,901	121,901	121,901	0
Increase in reserve for inventories	<u>0</u>	<u>0</u>	<u>10,321</u>	<u>10,321</u>
Fund balances - ending	<u>\$182,472</u>	<u>\$182,472</u>	<u>\$228,239</u>	<u>\$ 45,767</u>

WILD RICE SOIL CONSERVATION DISTRICT  
Forman, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
319 Fund  
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$309,920	\$309,920	\$149,705	\$(160,215)
Charges for services			81,646	81,646
Investment earning			1,564	1,564
Miscellaneous			22,350	22,350
Total revenues	<u>309,920</u>	<u>309,920</u>	<u>255,265</u>	<u>(54,655)</u>
<b>EXPENDITURES</b>				
Current:				
Conservation of Natural Resources	<u>309,920</u>	<u>309,920</u>	<u>243,100</u>	<u>66,820</u>
Excess (deficiency) of revenue over expenditures	0	0	12,165	12,165
<b>Other Financing Sources (Uses)</b>				
Proceeds from the sale of Capital Assets			<u>2,500</u>	<u>2,500</u>
Total Other Financing Sources and Uses			2,500	2,500
Net charge in fund balances	0	0	14,665	14,665
Fund balances - beginning	<u>28,274</u>	<u>28,274</u>	<u>28,274</u>	<u>0</u>
Fund balances - ending	<u>\$ 28,274</u>	<u>\$ 28,274</u>	<u>\$ 42,939</u>	<u>\$ 14,665</u>

**WILD RICE SOIL CONSERVATION DISTRICT**  
**Forman, North Dakota**

**Notes to Required Supplementary Information**  
**Year Ended December 31, 2016**

**1. Budgets and Budgetary Accounting**

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

- a. The district manager completes and adopts an annual budget on the modified cash basis of accounting.
- b. Immediately after the completion of the District budget and the adoption of the annual tax levy by the district supervisors, but not later than July first, the supervisors shall send one certified copy of the levy as adopted to the county auditor.
- c. All annual appropriations lapse at year-end.

**2. Excess of Expenditures Over Appropriations**

Expenditures of the General fund exceeded appropriations by \$155,826 for the year ended December 31, 2016. Expenditures of the 319 Fund did not exceed appropriations for the year ended December 31, 2016. All expenditures were approved by the District Supervisors. These expenditures were all funded by available fund balance.

No remedial action is anticipated or required regarding this excess expenditures.

There was no budget for the conservation cropping systems fund, since it was not required.



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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

District Supervisors  
WILD RICE SOIL CONSERVATION DISTRICT  
Forman, 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 each major fund of Wild Rice Soil Conservation District, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Wild Rice Soil Conservation District's basic financial statements and have issued our report thereon dated September 11, 2017. The independent auditor's report was adverse because the district prepares its financial statements on the modified cash basis.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wild Rice 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 Wild Rice Soil Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Wild Rice Soil Conservation District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses 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 deficiency described below to be material weaknesses.

Reportable Conditions

SEGREGATION OF DUTIES

Condition - Wild Rice Soil Conservation District has one manager responsible for accounting functions, including maintaining accounting records, reconciling accounts and paying bills.

Criteria - There should be sufficient accounting personnel so duties of employees are segregated. The segregation of duties would provide better control over the 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 disbursement in journals, maintain the general ledger, and prepare financial statements. This increases the risks 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 - We agree with this finding. It is not feasible at this time due to the number of personnel in the office and cost consideration to add any additional staff.

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 following deficiencies to be significant deficiencies.

#### CONTROLS OVER THE FINANCIAL REPORTING PROCESS

Condition - The manager has full controls over the computer's financial reporting process.

Criteria - For effective internal controls over financial reporting you should split up the controls.

Effect - She has full controls to initiate, authorize, record, and process journal entries into the general ledger; and record recurring and nonrecurring adjustments to the financial statements.

Recommendation - The manager having full controls over the computer's financial reporting process is common in an entity this size. The Management and the Board need to continually monitor the financial reporting process, especially since there is only one manager.

Client Response - Due to the size of the District, it is not feasible to split up the controls. The Board will continue to monitor this condition. The coordinator will also continue to monitor the status of funds in the District, providing regular updates to the Board.

#### PREPARING FINANCIAL STATEMENTS - DESIGN DEFICIENCY

Condition - Management has not identified risks to the preparation of reliable financial statements.

Criteria - The framework for effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the District's audited financial statements and then should determine how those identified risks should be managed.

Effect - Failure to design effective controls over the preparation of the financial statements would not prevent or detect material misstatements, including footnote disclosure.

Recommendation - The Board and management should document their identification of risks to the preparation of financial statements.

Client Response - Due to the size of the District, the design of the preparation of financial statements is not changing. The council will continue to work towards identifying the risks.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wild Rice 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 did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **Wild Rice Soil Conservation District's Response to Findings**

Wild Rice Soil Conservation District's response to the findings identified in our audit is described in this report. Wild Rice Soil Conservation District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*V. Nelson CPA, Ltd.*

V. NELSON CPA, LTD.  
Oakes, North Dakota  
September 11, 2017