

***Morton County Soil Conservation District***

Audit Report

December 31, 2017

Morton County Soil Conservation District  
Mandan, North Dakota

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For The Year Ended December 31, 2017

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Morton County Soil Conservation District  
Mandan, North Dakota

List of Officials  
December 31, 2017

Ted Becker	Chairman
Rocky Bateman	Vice Chairman
Aaron Steckler	Board Member
Jim Hopfauf	Appointed Supervisor
Richard Tokach	Appointed Supervisor
Don Tanaka	Advisory Supervisor
Duane Olsen	Advisory Supervisor
Travis Wolf	Advisory Supervisor
Bethany McCleary	2017 Secretary/treasurer
Valerie Frohlich	Present Secretary/treasurer

## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Morton County Soil Conservation District  
Mandan, North Dakota

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

We have audited the accompanying financial statements of the governmental activities and the major fund of Morton County Soil Conservation District, Mandan, North Dakota, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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

### **Opinions**

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

## INDEPENDENT AUDITOR'S REPORT

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 16 through 17 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2019 on our consideration of the Morton County Soil Conservation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Morton County Soil Conservation District's internal control over financial reporting and compliance.

*Haga Kommer, Ltd.*

Haga Kommer, Ltd.  
Mandan, North Dakota  
December 6, 2019

Morton County Soil Conservation District  
Statement of Net Position  
December 31, 2017

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 122,793
Accounts Receivable	6,781
Investments	44,752
Capital Assets, Net	<u>54,987</u>
 Total Assets	 <u>229,313</u>
 <b>LIABILITIES</b>	
Sales Tax Liability	1,419
Long-Term Liabilities:	
Due Within One Year	
Compensated Absences Payable	<u>5,817</u>
 Total Liabilities	 <u>7,236</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable Revenue	<u>11,783</u>
 Total Deferred Inflows of Resources	 <u>11,783</u>
 <b>NET POSITION</b>	
Net Investment in Capital Assets	54,987
Restricted	
Conservation of Natural Resources	<u>155,307</u>
 Total Net Position	 <u><u>\$ 210,294</u></u>

Morton County Soil Conservation District  
Statement of Activities  
For the year ended December 31, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for services	Operating Grants and Contributions	Governmental Activities	
<u>Functions/Programs</u>				
Governmental Activities				
Conservation of Natural Resources	\$ 399,740	\$ 268,704	\$ 109,976	\$ (21,060)
Total Primary Government	\$ 399,740	\$ 268,704	\$ 109,976	(21,060)
General Revenues:				
Property Taxes				96,365
Interest				817
Miscellaneous Revenue				24,574
Total General Revenues				121,756
Change in Net Position				100,696
Net Position - Beginning of Year				109,598
Net Position - End of Year				\$ 210,294

Morton County Soil Conservation District  
 Balance Sheet - Governmental Funds  
 December 31, 2017

	General
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 122,793
Accounts Receivable	6,781
Investments	44,752
<b>TOTAL ASSETS</b>	<b>\$ 174,326</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	
Liabilities:	
Sales Tax Liability	\$ 1,419
Deferred Inflows of Resources:	
Unavailable Revenue	11,783
Fund Balances:	
Assigned	
Conservation of Resources	161,124
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 174,326</b>



Morton County Soil Conservation District  
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
 For the year ended December 31, 2017

Total Fund Balances - Governmental Funds	\$	161,124
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Amounts reported for *governmental activities* in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.

Cost of Capital Assets	\$	230,810	
Less Accumulated Depreciation		<u>(175,823)</u>	
Net Capital Assets			54,987

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities are reported in the statement of net position.

Compensated absences		<u>(5,817)</u>
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Net position of governmental activities	\$	<u><u>210,294</u></u>
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Morton County Soil Conservation District  
Statement of Revenues, Expenditures and Changes in  
Fund Balances - Governmental Funds  
For the year ended December 31, 2017

REVENUES	
Intergovernmental	\$ 109,976
Property taxes	96,365
Charges for Services	268,704
Interest Income	817
Miscellaneous	<u>24,574</u>
Total Revenues	<u>500,436</u>
EXPENDITURES	
Conservation of Natural Resources	
Payroll	166,119
Cost of Trees, Weed Barrier and Supplies	105,498
319 EPA Project	44,296
Contributions	500
Conservation Education	15,356
Insurance	13,796
Employee Benefits	9,820
Advertising and Promotion	11,155
Professional Fees	1,515
Repairs and Maintenance	4,903
Other	15,132
Capital Outlay	<u>45,333</u>
Total Expenditures	<u>433,423</u>
Excess (Deficiency) of Revenues Over Expenditures	67,013
Fund Balance - January 1	<u>94,111</u>
Fund Balance - December 31	<u><u>\$ 161,124</u></u>

Morton County Soil Conservation District  
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures  
 and Changes in Fund Balances to the Statement of Activities  
 For the year ended December 31, 2017

Net change in fund balances - total governmental funds \$ 67,013

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The effect of various transactions involving capital assets consist of:

Current Year Capital Outlay	\$ 45,333	
Current Year Depreciation Expense	<u>(11,763)</u>	33,570

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. The net decrease in compensated absences is:

113

Change in net position of governmental activities \$ 100,696

Morton County Soil Conservation District  
Notes to the Financial Statements  
For the Year Ended December 31, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The accompanying financial statements present the activities of the 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 soil conservation district such that exclusion would cause the soil conservation district’s financial statements to be misleading or incomplete. The Government Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include 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 to be included within Morton County Soil Conservation District as a reporting entity.

**B. 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, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, service charges, 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 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, interest, and non-restricted grants and contributions, are presented as general revenues.

*Fund Financial Statements.* The fund financial statements provide information about the District’s fund. Separate statements are provided for the governmental fund. 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.

Morton County Soil Conservation District  
Notes to the Financial Statements  
For the Year Ended December 31, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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

*Government-wide Financial Statements.* The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the soil conservation district gives (or receives) values without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements.* The governmental fund is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-ended. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgements, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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.

**D. Cash and Investments**

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

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

**E. Capital Assets**

Capital assets include property, plant, and equipment. Assets are reported in the governmental activities' column in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets is not capitalized.

Morton County Soil Conservation District  
Notes to the Financial Statements  
For the Year Ended December 31, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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

<u>ASSETS</u>	<u>YEARS</u>
Buildings & Other Improvements	15-50
Vehicles & Machinery	5-10
Furniture & Equipment	5-10

**F. Compensated Absences**

All full-time employees and permanent part-time employees are granted vacation benefits. Vacation time is earned on a month-to-month basis based on length of service. Vacation time is allowed to accrue to a maximum of 240 hours. When the limit is reached, employees will cease to accrue more vacation time until existing levels fall below 240 hours. Vested or accumulated vacation leave is reported in the government-wide statement of net position. Sick leave is also accrued with an unlimited amount that can be carried over each year. Accrued sick pay is paid out upon resignation at 50% and cannot exceed 300 hours. Accumulated vacation and accumulated sick leave are combined together in the accrued vacation liability account.

**G. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the government activities statement of net position.

In the fund financial statements, the face amount of the debt is reported as other financing sources. When applicable, premiums received on debt issuances are reported as other financing sources and issuance costs are reported as debt service expenditures.

**H. Employee Benefit Plan**

Morton County Soil Conservation District provides for eligible employees to participate in their Roth 457B Plan through Nationwide Retirement Solutions. Eligibility is based on continuous years of service. District contributions based on years of service are as follows:

0-3 years	4%
4-10 years	5%
11 years and over	6%

Each employee must contribute a minimum of 3% to earn the District's years of service contribution. If the employee's contribution amount is less than the 3% minimum the District will only match the employee's contribution. A per year maximum, by dollar amount, is determined by Nationwide. The District only had three employees enrolled in the plan for 2017 at the 4% employer match and the expense for the plan for the year ended December 31, 2017 was \$4,972.

Morton County Soil Conservation District  
Notes to the Financial Statements  
For the Year Ended December 31, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**I. Fund Balance**

*Fund Balance Spending Policy* – It is a policy of the District to spend restricted resources first, followed by unrestricted resources. It is also the policy of the Board to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

*Restricted Fund Balances* – Restricted fund balances are shown by primary function on the balance sheet. Restricted fund balances are restricted by tax levies (enabling legislation) and by outside 3<sup>rd</sup> parties (state and federal governments for various grants & reimbursements).

*Committed* – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Board – the District’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the board removed 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 special purposes, but are neither restricted nor committed. The board 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.

**J. Net Position**

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.

Net investment in capital assets is reported for capital assets less accumulated depreciation, as well as net of any related debt to purchase or finance the capital assets. These assets are not available for future spending.

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

Morton County Soil Conservation District  
Notes to the Financial Statements  
For the Year Ended December 31, 2017

**NOTE 2: DEPOSITS**

In accordance with North Dakota Statutes, deposits must either be deposited with the Bank of North Dakota or in other financial institution situated and doing business with 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 faith and credit of the issuing body and bonds used by another state of the United States or such other securities approved by the banking board.

At year ended December 31, 2017, the District's carrying amount of deposits totaled \$167,545, and the bank balances totaled \$206,449, all of which was covered by Federal Depository Insurance.

**Credit Risk**

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

- (1) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities or organizations created by an act of Congress.
- (2) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed.
- (3) Certificates of deposit fully insured by the federal deposit insurance corporation.
- (4) Obligations of the State.

**NOTE 3: PROPERTY TAXES**

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



Morton County Soil Conservation District  
Notes to the Financial Statements  
For the Year Ended December 31, 2017

**NOTE 4: CAPITAL ASSETS**

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

	Balance 1/1/2017	Increases	Decreases	Balance 12/31/2017
Depreciated capital assets:				
Buildings	\$ 38,522	\$ -	\$ -	\$ 38,522
Machinery & Equipment	146,955	45,333	-	192,288
Total	185,477	45,333	-	230,810
Less Accumulated Depreciation	(164,060)	(11,763)	-	(175,823)
Capital Assets, Net	<u>\$ 21,417</u>	<u>\$ 33,570</u>	<u>\$ -</u>	<u>\$ 54,987</u>

Depreciation expense was charged to Conservation of Natural Resources.

**NOTE 5: UNAVAILABLE REVENUE**

Unavailable revenue consists of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

Unavailable revenue on the financial statements consist of prepaid purchases for next year's nursery sales.

**NOTE 6: RISK MANAGEMENT**

The 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 (NDRF), 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 Morton County Soil Conservation District pays an annual premium to NDRF for Public Assets. The coverage by NDRF is limited to losses of \$206,195.

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Cass County Soil Conservation District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of two million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$266,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

***REQUIRED  
SUPPLEMENTARY  
INFORMATION***

Morton County Soil Conservation District  
 Budgetary Comparison Schedule  
 General Fund  
 For the year ended December 31, 2017

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 58,674	\$ 58,674	\$ 109,976	\$ 51,302
Property Taxes	93,264	93,264	96,365	3,101
Charges for Services	213,645	213,645	268,704	55,059
Interest Income	403	403	817	414
Miscellaneous	1,900	1,900	24,574	22,674
<b>TOTAL REVENUES</b>	<b>367,886</b>	<b>367,886</b>	<b>500,436</b>	<b>132,550</b>
<b>EXPENDITURES</b>				
Conservation of Natural Resources				
Payroll	170,000	170,000	166,119	3,881
Cost of Trees, Weed Barrier and Supplies	93,718	93,718	105,498	(11,780)
EPA Grant Project	61,850	61,850	44,296	17,554
Contributions	-	-	500	(500)
Conservation Education	16,767	16,767	15,356	1,411
Insurance	7,633	7,633	13,796	(6,163)
Employee Benefits	10,500	10,500	9,820	680
Advertising and Promotion	13,500	13,500	11,155	2,345
Professional Fees	2,000	2,000	1,515	485
Repairs and Maintenance	4,000	4,000	4,903	(903)
Other	13,950	13,950	15,132	(1,182)
Capital Outlay	-	-	45,333	(45,333)
<b>TOTAL EXPENDITURES</b>	<b>393,918</b>	<b>393,918</b>	<b>433,423</b>	<b>(39,505)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(26,032)	(26,032)	67,013	93,045
Fund Balances - January 1, 2017	94,111	94,111	94,111	-
<b>FUND BALANCES - DECEMBER 31, 2017</b>	<b>\$ 68,079</b>	<b>\$ 68,079</b>	<b>\$ 161,124</b>	<b>\$ 93,045</b>

Morton County Soil Conservation District  
Notes to Required Supplementary Information  
December 31, 2017

NOTE 1      BUDGETS

The District adopts an annual budget consistent with accounting principles generally accepted in the United States of America for the general fund. The District is required to present the adopted and final amended budgeted receipts and disbursements for this fund.

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

- The District prepares a budget on or before October 1<sup>st</sup>. The budget includes proposed expenditures and means of financing them.
- The budget must be filed with the county auditor by October 10<sup>th</sup>. The county commission may disapprove the budget, amend and approve the budget as amended, or approve the budget as submitted.
- No disbursements shall be made or liability incurred in excess of the total appropriation. However, the District may amend the budget during the year for any receipts and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the board and the approval must be noted in the proceedings of the board.
- All appropriations lapse at year-end.

The budget was not amended in 2017.

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*

Governing Board  
Morton County Soil Conservation District  
Mandan, 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 Morton County Soil Conservation District, Mandan, North Dakota, 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 December 6, 2019.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, 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 District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies 2017-001 and 2017-002 described in the accompanying schedule of findings to be material weaknesses.

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 deficiency 2017-003 described in the accompanying schedule of findings to be a significant deficiency.

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*

**Compliance and Other Matters**

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

**Morton County Soil Conservation District's Response to Findings**

Morton County Soil Conservation District's responses to the findings identified in our audit are described in the accompanying schedule of findings. Morton County Soil Conservation 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Haga Kommer, Ltd.*

Haga Kommer, Ltd.  
Mandan, North Dakota  
December 6, 2019

Morton County Soil Conservation District  
Schedule of Findings  
For the Year Ended December 31, 2017

**Finding 2017-001: Journal Entries**

Condition – Several journal entries were required to be made during the audit to present accurate financial statements.

Criteria – The District is required to establish internal controls and procedures which allow it to determine that the general ledger accounts are properly reflected according to generally accepted accounting principles.

Cause – Accrual and capital asset adjustments are not posted on the internal accounting records.

Effect –The amount of journal entries made has a material effect on the financial statements.

Recommendation – Entries to accurately reflect accrual accounting should be posted at the end of the year.

Management’s Response – The District is aware of the year-end adjustments and have decided to accept the degree of risk associated with having these entries made during the audit. Management will review the financial statements before the audit is issued.

**Finding 2017-002: Preparation of Financial Statements**

Condition – The financial statements and related notes are prepared by the District’s auditors.

Criteria – Complete and accurate presentation of the financial statements in conformity with generally accepted accounting principles is required.

Cause – Ongoing changes in the reporting and disclosure requirements make it difficult to maintain knowledge of current accounting standards with limited time available to the bookkeeper.

Effect – The District has elected to have the auditors complete the full disclosure financial statements.

Recommendation – This is not unusual in organizations of your size due to limited resources. The board should review the audited financial statements for accuracy and accept responsibility for the preparation and fair presentation of the GAAP financial statements even if the auditor assisted in drafting the financial statements and notes.

Management’s Response – The District is aware that someone needs to review the audit report each year to make sure the financial statements and note disclosures are a fair presentation for the District.

Morton County Soil Conservation District  
Schedule of Findings  
For the Year Ended December 31, 2017

**Finding 2017-003: Segregation of Duties**

Condition – The District has one individual responsible for the majority of accounting functions. Considering the size of the District, it is not feasible to obtain proper segregation of duties and the degree of internal control is severely limited.

Criteria – A good system of internal control contemplates adequate segregation of duties so that no individual has control of a transaction from inception to completion.

Cause – There is a limited number of staff members available to perform these duties due to the small size of the district and it is not economically feasible to further segregate duties.

Effect – Inadequate segregation of duties could adversely affect the district’s ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely manner by employees in the normal course of performing their assigned functions.

Recommendation – This is not unusual in organizations of your size and under these conditions, the most effective controls lie in the board’s knowledge of matters relating to the District’s operations. Board members should periodically review documentation supporting individual transactions.

Management’s Response – The District is aware of the limitations and has determined additional staff is not feasible. The District will monitor the condition.