

Morton County Soil Conservation District

Audit Report

December 31, 2018

Morton County Soil Conservation District
Mandan, North Dakota

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For The Year Ended December 31, 2018

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Morton County Soil Conservation District
Mandan, North Dakota

List of Officials
December 31, 2018

Ted Becker	Chairman
Aaron Steckler	Vice Chairman
Rocky Bateman	Appointed Supervisor
Richard Tokach	Appointed Supervisor
Travis Wolf	Appointed Supervisor
George Ferderer	Advisory Supervisor
Don Tanaka	Advisory Supervisor
Duane Olsen	Advisory Supervisor
Travis Rossow	Advisory Supervisor
Valerie Frohlich	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, 2018, 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, 2018, 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 17 through 18 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 October 30, 2020 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
October 30, 2020

Morton County Soil Conservation District
Statement of Net Position
December 31, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 230,667
Accounts Receivable	5,268
Investments	45,086
Capital Assets, Net	<u>38,959</u>
 Total Assets	 <u>319,980</u>
 LIABILITIES	
Accounts Payable	71,295
Payroll Tax Liability	341
Sales Tax Liability	1,683
Long-Term Liabilities:	
Due Within One Year	
Compensated Absences Payable	<u>1,767</u>
 Total Liabilities	 <u>75,086</u>
 DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue	<u>28,221</u>
Total Deferred Inflows of Resources	<u>28,221</u>
 NET POSITION	
Net Investment in Capital Assets	38,959
Restricted	
Conservation of Natural Resources	<u>177,714</u>
 Total Net Position	 <u><u>\$ 216,673</u></u>

Morton County Soil Conservation District
Statement of Activities
For the year ended December 31, 2018

	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	\$ 361,855	\$ 116,387	\$ 142,389	\$ (103,079)
Total Primary Government	\$ 361,855	\$ 116,387	\$ 142,389	(103,079)
General Revenues:				
Property Taxes				105,387
Interest				1,077
Miscellaneous Revenue				2,994
Total General Revenues				109,458
Change in Net Position				6,379
Net Position - Beginning of Year				210,294
Net Position - End of Year				\$ 216,673

Morton County Soil Conservation District
 Balance Sheet - Governmental Funds
 December 31, 2018

		<u>General</u>
ASSETS		
Cash and Cash Equivalents	\$	230,667
Accounts Receivable		5,268
Investments		<u>45,086</u>
TOTAL ASSETS	\$	<u><u>281,021</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$	71,295
Payroll Tax Liability		341
Sales Tax Liability		<u>1,683</u>
Total Liabilities		73,319
Deferred Inflows of Resources:		
Unavailable Revenue		28,221
Fund Balances:		
Assigned		
Conservation of Resources		<u>179,481</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$	<u><u>281,021</u></u>

Morton County Soil Conservation District
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 For the year ended December 31, 2018

Total Fund Balances - Governmental Funds	\$	179,481
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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>(191,851)</u>	
Net Capital Assets			38,959

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>(1,767)</u>
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Net position of governmental activities	\$	<u><u>216,673</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, 2018

REVENUES

Intergovernmental	\$	142,389
Property Taxes		105,387
Charges for Services		116,387
Interest Income		1,077
Miscellaneous		2,994
		2,994

Total Revenues		368,234
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EXPENDITURES

Conservation of Natural Resources

Payroll		142,334
Cost of Trees, Weed Barrier and Supplies		23,137
319 EPA Project		116,876
Conservation Education		13,121
Insurance		8,565
Employee Benefits		13,891
Advertising and Promotion		8,973
Repairs and Maintenance		6,587
Other		16,393
		16,393

Total Expenditures		349,877
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Excess (Deficiency) of Revenues

Over Expenditures		18,357
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Fund Balance - January 1		161,124
Fund Balance - December 31	\$	179,481

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, 2018

Net change in fund balances - total governmental funds \$ 18,357

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	\$	-	
Current Year Depreciation Expense		<u>(16,028)</u>	(16,028)

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:

4,050

Change in net position of governmental activities \$ 6,379

Morton County Soil Conservation District
Notes to the Financial Statements
For the Year Ended December 31, 2018

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, 2018

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-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and 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-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

When both restricted and unrestricted resources are available for use, it is the 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, 2018

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 had five employees enrolled in the plan for 2018 and the expense for the plan for the year ended December 31, 2018 was \$3,397.

Morton County Soil Conservation District
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 3rd 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, 2018

NOTE 2: DEPOSITS

In accordance with North Dakota Statutes, deposits must either be deposited with the Bank of North Dakota or in other financial institutions 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, 2018, the District's carrying amount of deposits totaled \$275,753, and the bank balances totaled \$269,638, 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, 2018

NOTE 4: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2018:

	Balance 1/1/2018	Increases	Decreases	Balance 12/31/2018
Depreciated capital assets:				
Buildings	\$ 38,522	\$ -	\$ -	\$ 38,522
Machinery & Equipment	192,288		-	192,288
Total	230,810	-	-	230,810
Less Accumulated Depreciation	(175,823)	(16,028)	-	(191,851)
Capital Assets, Net	<u>\$ 54,987</u>	<u>\$ (16,028)</u>	<u>\$ -</u>	<u>\$ 38,959</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 (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Morton County Soil Conservation District pays an annual premium to NDIRF for Public Assets. The coverage by NDIRF 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.

Morton County Soil Conservation District
Notes to the Financial Statements
For the Year Ended December 31, 2018

NOTE 7: TAX ABATEMENTS

Morton County Soil Conservation District and political subdivisions within Morton County can negotiate property tax abatement agreements with individuals and various commercial entities/businesses. The conservation district will state individually the parties whom received a benefit of the reduction in taxes of 20% or greater when compared to the total reduction of taxes for all tax abatement programs. No such abatements existed as of December 31, 2018.

NOTE 8: SUBSEQUENT EVENTS

The District evaluated its December 31, 2018 financial statements for subsequent events through October 30, 2020. As a result of the spread of COVID 19 coronavirus, economic uncertainties have arisen which are likely to affect the operations of the District.

***REQUIRED
SUPPLEMENTARY
INFORMATION***

Morton County Soil Conservation District
 Budgetary Comparison Schedule
 General Fund
 For the year ended December 31, 2018

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 24,500	\$ 24,500	\$ 142,389	\$ 117,889
Property Taxes	106,000	106,000	105,387	(613)
Charges for Services	92,833	92,833	116,387	23,554
Interest Income	503	503	1,077	574
Miscellaneous	1,800	1,800	2,994	1,194
TOTAL REVENUES	<u>225,636</u>	<u>225,636</u>	<u>368,234</u>	<u>142,598</u>
EXPENDITURES				
Conservation of Natural Resources				
Payroll	160,000	160,000	142,334	17,666
Cost of Trees, Weed Barrier and Supplies	30,483	30,483	23,137	7,346
319 EPA Project	36,600	36,600	116,876	(80,276)
Contributions	500	500	-	500
Conservation Education	20,446	20,446	13,121	7,325
Insurance	10,800	10,800	8,565	2,235
Employee Benefits	11,000	11,000	13,891	(2,891)
Advertising and Promotion	11,800	11,800	8,973	2,827
Professional Fees	7,500	7,500	-	7,500
Repairs and Maintenance	10,000	10,000	6,587	3,413
Other	19,700	19,700	16,393	3,307
TOTAL EXPENDITURES	<u>318,829</u>	<u>318,829</u>	<u>349,877</u>	<u>(31,048)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(93,193)	(93,193)	18,357	111,550
Fund Balances - January 1, 2018	94,111	94,111	161,124	67,013
FUND BALANCES - DECEMBER 31, 2018	<u>\$ 918</u>	<u>\$ 918</u>	<u>\$ 179,481</u>	<u>\$ 178,563</u>

Morton County Soil Conservation District
Notes to Required Supplementary Information
December 31, 2018

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 1st. The budget includes proposed expenditures and means of financing them.
- The budget must be filed with the county auditor by October 10th. 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 2018 and certain individual line items as well as overall, the expenditures were over budget. No remedial action is anticipated.

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 30, 2020.

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 2018-001 and 2018-002 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 2018-003 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
October 30, 2020

Morton County Soil Conservation District
Schedule of Findings
For the Year Ended December 31, 2018

Finding 2018-001: 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 2018-002: 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 – Limited time and resources of the District to prepare the financial statements in the format required by generally accepted accounting principles including compliance with GASB 34.

Effect – An increased risk of material misstatement in the District’s 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, 2018

Finding 2018-003: Segregation of Duties

Condition – The district has lack of segregation of duties in certain areas due to a limited staff.

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.

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.