



Financial Statements

December 31, 2019 and 2018

Bowman Slope Soil Conservation District

Bowman Slope Soil Conservation District

Table of Contents

December 31, 2019 and 2018

Board of Directors (Unaudited)	1
Independent Auditor's Report	2
Financial Statements	
Statement of Net Position – Cash Basis – Governmental Activities and Statements of Cash Basis Assets and Fund Balances and Receipts, Disbursements and Changes in Cash Basis Fund Balances – General Fund	4
Notes to Financial Statements	5
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 <i>Government Auditing Standards</i>	8
Summary of Audit Findings	10

Bowman Slope Soil Conservation District
Board of Directors (Unaudited)
December 31, 2019 and 2018

<u>Name</u>	<u>Position</u>
Vern Brown	Chairman
Cory Blaser	Board member
Jeff Brown	Board member
Brett Hendrickson	Board member
Tony Pierce	Board member



Independent Auditor's Report

Board of Directors
Bowman Slope Soil Conservation District
Bowman, North Dakota

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities and general fund of Bowman Slope Soil Conservation District (the District) as of and for the years ended December 31, 2019 and 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 the cash basis of accounting described in Note 1; this includes determining that the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain 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 cash basis financial position of the governmental activities and general fund of the District as of December 31, 2019 and 2018, and the respective changes in financial position – cash basis thereof for the years then ended in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters*Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Board of Directors listing on page 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Bismarck, North Dakota
July 9, 2021

Bowman Slope Soil Conservation District

Statement of Net Position – Cash Basis – Governmental Activities and Statements of Cash Basis Assets and Fund Balances and Receipts, Disbursements and Changes in Cash Basis Fund Balances – General Fund Years Ended December 31, 2019 and 2018

	Governmental Activities / General Fund 2019	Governmental Activities / General Fund 2018
Disbursements		
Payroll	\$ 119,007	\$ 110,963
Project expenses	118,882	156,246
Cost of services	72,905	87,655
Information and communication	12,997	20,211
Education	12,143	10,370
Office expenses	18,134	12,027
Repairs and maintenance	6,599	4,382
Certificate of deposit	100,000	-
Capital outlay	50,000	19,500
Total disbursements	<u>510,667</u>	<u>421,354</u>
Program receipts		
Operating grants	181,027	192,860
Charges for services	171,634	133,798
Total program receipts	<u>352,661</u>	<u>326,658</u>
General receipts		
Taxes	114,512	97,937
Rent income	24,194	24,476
Interest income	124	99
Total general receipts	<u>138,830</u>	<u>122,512</u>
Net change in cash basis fund balance	(19,176)	27,816
Cash basis fund balance/net position - beginning of year	<u>182,105</u>	<u>154,289</u>
Cash basis fund balance/net position - end of year	<u>\$ 162,929</u>	<u>\$ 182,105</u>
	<u>2019</u>	<u>2018</u>
Cash Basis Assets - End of Year		
Cash	<u>\$ 162,929</u>	<u>\$ 182,105</u>
Cash Basis Fund Balances/Net Position - End of Year		
Unassigned Fund Balance / Unrestricted Net Position	<u>\$ 162,929</u>	<u>\$ 182,105</u>

Note 1 - Nature of Operations and Summary of Significant Accounting Policies**Reporting Entity**

Bowman Slope Soil Conservation District (the District) was established to oversee resource conservation within Bowman and Slope counties in North Dakota. The District is made up of five representatives from either county.

The District's financial statements include all funds for which the District is financially accountable. The District has considered all potential component units for which the District is financially accountable and other organizations for which the nature and significance of their relationships with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the District. Based on these criteria, there are no component units of the District that have been identified.

Basis of Accounting

The financial statements of the District have been prepared using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Under the cash basis of accounting, revenues (cash receipts) are recorded when received rather than when earned, and susceptible to accrual and expenditures (cash disbursements) are recorded when paid rather than when incurred or subject to accrual. This basis differs from accounting principles generally accepted in the United States of America because accrued balances such as accounts receivable, capital assets, accounts payable, accrued expenses and long-term debt are not included in the financial statements. As a result, only cash and related net position arising from cash transactions are reported in the statement of net position.

Fund Description

The District accounts for all financial transactions in its general fund. The general fund is the government's primary operating fund and accounts for all financial resources of the general government.

Fund Balance Classifications and Procedures

The District classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in a spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance is assigned by the Board of Directors.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in any other governmental funds.

The District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy.

Note 2 - Cash

In accordance with North Dakota Century Code, the District maintains deposits at financial institutions designated as a depository for public funds. All depositories are members of the Federal Reserve System.

Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies, or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the State of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board.

District purchased a certificate of deposit totaling \$100,000 on December 6, 2019.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Beyond what is stated in the North Dakota Century Code, the District does not have a formal policy to further limit exposure to custodial credit risk. As of December 31, 2019, the bank balance of the District's deposits was \$168,039. The entire bank balance was covered by Federal Depository Insurance. As of December 31, 2018, the bank balance of the District's deposits was \$182,891. The entire bank balance was covered by Federal Depository Insurance.

Concentration of Credit Risk

The District does not have a limit on the amount the District may invest in any one issuer. All deposits at December 31, 2019 and 2018 were held with one financial institution.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District does not have a formal investment policy that specifically addresses credit risk. At December 31, 2019 and 2018, the District did not have any deposits or investments exposed to credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates. At December 31, 2019 and 2018, the District did not have any deposits or investments exposed to interest rate risk.

Note 3 - Economic Dependency

The District receives a substantial amount of its support from two primary sources. A significant reduction in the level of this support, if this were to occur, may have a material effect on the District's program, and therefore, on its continued operations.



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*

Board of Directors
Bowman Slope Soil Conservation District
Bowman, North Dakota

We have audited, 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, the cash basis financial statements of Bowman Slope Soil Conservation District (the District), as of and for the years ended December 31, 2019 and 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 July 9, 2021, which included an emphasis of matter paragraph describing the cash basis of accounting being used by the District.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying summary of audit findings as items 2019-A, 2019-B, 2018-A, and 2018-B to be material weaknesses.

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 over financial reporting that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying summary of audit findings, we identified certain deficiencies in internal control that we consider 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bowman Slope 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. We are not aware of any instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Bowman Slope Soil Conservation District's Response to Findings

Bowman Slope Soil Conservation District's response to the findings identified in our audit is described in the accompanying summary of audit findings. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we expressed 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Bismarck, North Dakota
July 9, 2021

Finding 2018-A – Preparation of Financial Statements – Material Weakness

Condition: The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Criteria: Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements that are materially correct.

Cause: The District does not have staff trained in GASB reporting standards.

Effect: Inadequate controls over financial reporting of the District result in the more than remote likelihood that the District would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

Recommendations: It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. While we recognize that this condition is not unusual for an organization your size, it is important that you be aware of this condition for financial reporting purposes. Management and the District should continually be aware of the financial reporting of the District and changes in reporting requirements.

Response: It is not cost effective for an organization of our size to have the staff prepare audit-ready financial statements. Therefore, we hired Eide Bailly, LLP, and independent public accounting firm, to prepare our audit-ready financial statements. These financial statements are then thoroughly reviewed by District staff.

Finding 2018-B – Segregation of Duties Related to Department Controls over Cash – Material Weakness

Condition: The District has limited staff responsible for the primary accounting functions. A lack of segregation of duties exists as limited staff is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in the check register, maintain the general ledger, and perform bank reconciliations.

Criteria: A good system of internal accounting control contemplates an adequate paper trail and proper segregation of duties so no one individual handles a transaction from beginning to end to mitigate abuse or fraud.

Cause: The departments have limited staff available to properly segregate the duties related to the cash receipt process. The procedures followed for receipting cash also involve several manual steps which result in an inadequate audit trail.

Effect: Inadequate controls over cash receipts could affect the District's ability to detect errors or fraud.

Recommendation: We recommend the District eliminate as many manual procedures related to receipting cash as possible and maintain detailed records of all transactions handled in the departments. We also recommend the duties of entering and adjusting charges in the system, taking customer payments, receipting payments, and preparing the deposits be segregated. The District should also determine if there are additional controls that can be implemented to mitigate the risks due to limited staff in the departments.

Views of Responsible Officials: The District agrees with the finding.

Finding 2019-A – Preparation of Financial Statements – Material Weakness

Condition: The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Criteria: Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements that are materially correct.

Cause: The District does not have staff trained in GASB reporting standards.

Effect: Inadequate controls over financial reporting of the District result in the more than remote likelihood that the District would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

Recommendations: It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. While we recognize that this condition is not unusual for an organization your size, it is important that you be aware of this condition for financial reporting purposes. Management and the District should continually be aware of the financial reporting of the District and changes in reporting requirements.

Response: It is not cost effective for an organization of our size to have the staff prepare audit-ready financial statements. Therefore, we hired Eide Bailly, LLP, and independent public accounting firm, to prepare our audit-ready financial statements. These financial statements are then thoroughly reviewed by District staff.

Finding 2019-B – Segregation of Duties Related to Department Controls over Cash – Material Weakness

Condition: The District has limited staff responsible for the primary accounting functions. A lack of segregation of duties exists as limited staff is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in the check register, maintain the general ledger, and perform bank reconciliations.

Criteria: A good system of internal accounting control contemplates an adequate paper trail and proper segregation of duties so no one individual handles a transaction from beginning to end to mitigate abuse or fraud.

Cause: The departments have limited staff available to properly segregate the duties related to the cash receipt process. The procedures followed for receipting cash also involve several manual steps which result in an inadequate audit trail.

Effect: Inadequate controls over cash receipts could affect the District's ability to detect errors or fraud.

Recommendation: We recommend the District eliminate as many manual procedures related to receipting cash as possible and maintain detailed records of all transactions handled in the departments. We also recommend the duties of entering and adjusting charges in the system, taking customer payments, receipting payments, and preparing the deposits be segregated. The District should also determine if there are additional controls that can be implemented to mitigate the risks due to limited staff in the departments.

Views of Responsible Officials: The District agrees with the finding.