

**GRAND FORKS COUNTY SOIL CONSERVATION DISTRICT
GRAND FORKS, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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**GRAND FORKS COUNTY SOIL CONSERVATION DISTRICT
ROSTER OF DISTRICT OFFICIALS
AS OF DECEMBER 31, 2019**

<u>Names</u>	<u>Office</u>
Greg Amundson	Chairman
David Burkland	Vice Chairman
Jeff Clemetson	Member
Ben Draxton	Member
Aaron Smestad	Member

INDEPENDENT AUDITOR'S REPORT

To the District Officials
Grand Forks County Soil Conservation District
Grand Forks, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund information of the Grand Forks County Soil Conservation District, as of and for the year ended December 31, 2019, 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 general fund information of the Grand Forks County Soil Conservation District as of December 31, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents 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.

The roster of district officials has not been subjected to the auditing procedures applied in the audit 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 December 17, 2021 on our consideration of the Grand Forks 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 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 Grand Forks County Soil Conservation District's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

December 17, 2021

GRAND FORKS COUNTY SOIL CONSERVATION DISTRICT
GOVERNMENTAL FUNDS – BALANCE SHEET/STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2019

ASSETS	General Fund	Adjustments	Statement of Net Position
CURRENT			
Cash	\$ 47,960	\$ -	\$ 47,960
Accounts Receivable - Mill Levy	875	-	875
Accounts Receivable - 319 Watershed Project	5,937	-	5,937
Accrued Interest	16	-	16
Other Receivables	67	-	67
Inventory	6,472	-	6,472
Prepays	6,667	-	6,667
Total	<u>67,994</u>	<u>-</u>	<u>67,994</u>
PROPERTY AND EQUIPMENT			
Equipment	-	215,403	215,403
Building	-	526,413	526,413
Vehicles	-	123,032	123,032
Total	<u>-</u>	<u>864,848</u>	<u>864,848</u>
Accumulated Depreciation	-	(269,433)	(269,433)
Total	<u>-</u>	<u>595,415</u>	<u>595,415</u>
TOTAL ASSETS	<u>67,994</u>	<u>595,415</u>	<u>663,409</u>
LIABILITIES			
CURRENT			
Customer Deposits	3,642	-	3,642
Accrued Payroll Liabilities	694	-	694
Accrued Wages Payable	10,561	-	10,561
Compensated Absences:			
Expected to be Paid Within One Year	-	19,758	19,758
Sales Tax Payable	1,581	-	1,581
Short Term Notes Payable	-	100,000	100,000
Total	<u>16,478</u>	<u>119,758</u>	<u>136,236</u>
TOTAL LIABILITIES	<u>16,478</u>	<u>119,758</u>	<u>136,236</u>
FUND BALANCE / NET POSITION			
Fund Balances:			
Nonspendable	13,139	(13,139)	-
Assigned	38,377	(38,377)	-
Unassigned	-	-	-
TOTAL FUND BALANCE	<u>51,516</u>	<u>(51,516)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 67,994</u>		
Net Position:			
Investment in Capital Assets		595,415	595,415
Unrestricted		(68,242)	(68,242)
TOTAL NET POSITION		<u>\$ 527,173</u>	<u>\$ 527,173</u>

See Notes to the Financial Statements

GRAND FORKS COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	General Fund	Adjustments	Statement of Activities
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Tree Planting	\$ 29,341	\$ -	\$ 29,341
Weed Badger / Land Prep	1,638	-	1,638
Grass Seeding	6,467	-	6,467
Fabric Installation	22,101	-	22,101
Tube / Mat Installation	654	-	654
Product Sales Revenue	33,847	-	33,847
Education Revenue	8,209	-	8,209
Mill Levy	281,258	-	281,258
Watershed Project - Grant	40,624	-	40,624
Investment Earnings	520	-	520
Miscellaneous	7,348	-	7,348
	<u>432,007</u>	<u>-</u>	<u>432,007</u>
TOTAL REVENUES			
EXPENDITURES/EXPENSES			
Current:			
Payroll	256,859	(1,257)	255,602
Insurance	8,693	-	8,693
Office Expense	4,025	-	4,025
Utilities	1,114	-	1,114
Public Education and Information	44,383	-	44,383
Watershed	514	-	514
Maintenance and Repairs	6,780	-	6,780
Dues and Subscriptions	1,287	-	1,287
Professional Fees	9,253	-	9,253
Board Expenses	2,640	-	2,640
Staff Expense	4,225	-	4,225
Products and Services Expenses	45,612	-	45,612
Lease Payments	8,445	-	8,445
Building Construction Costs	526,413	(526,413)	-
Miscellaneous	1,838	-	1,838
Depreciation Expense	-	25,745	25,745
	<u>922,081</u>	<u>(501,925)</u>	<u>420,156</u>
TOTAL EXPENDITURES/EXPENSES			
Excess (Deficiency) of Revenue Over Expenditures	<u>(490,074)</u>	<u>501,925</u>	<u>11,851</u>
OTHER FINANCING SOURCES			
Sale of Assets	28,347	(23,667)	4,680
Loan Proceeds	100,000	(100,000)	-
	<u>128,347</u>	<u>(123,667)</u>	<u>4,680</u>
TOTAL OTHER FINANCING SOURCES			
CHANGE IN FUND BALANCE	(361,727)	361,727	
CHANGE IN NET POSITION		16,531	16,531
FUND BALANCES / NET POSITION			
BEGINNING OF YEAR	<u>413,243</u>	<u>-</u>	<u>510,642</u>
END OF YEAR	<u>\$ 51,516</u>	<u>\$ 130,924</u>	<u>\$ 527,173</u>

See Notes to the Financial Statements

GRAND FORKS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Grand Forks County Soil Conservation 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.

Reporting Entity

The accompanying financial statements present the activities of Grand Forks County Soil Conservation District, Grand Forks, North Dakota. 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 Grand Forks County Soil Conservation District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on Grand Forks County Soil Conservation District.

Based on these criteria, there are no component units to be included with the Grand Forks County Soil Conservation District as a reporting entity.

Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District.

Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligible requirements imposed by the provider have been met.

GRAND FORKS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2019

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenues, charges for services, and interest on investments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The government reports the following major governmental funds:

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District does not have any items that qualify for reporting in this category.

Cash and Cash Equivalents

The District considers cash equivalents to be money market funds and demand deposits. Deposits must either be deposited with the Bank of ND or in another financial institution situated and doing business within the state. Deposits, other than with the Bank of ND, 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 uninsured balance.

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

At December 31, 2019, the bank balance was \$55,710. The entire bank balance was covered by federal depository insurance as of December 31, 2019.

GRAND FORKS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2019

Accounts Receivable

All accounts receivable as of December 31, 2019 are considered collectible by the District.

Capital Assets and Depreciation

Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not known. Contributed assets are recorded at acquisition value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

Property and equipment are carried at cost less accumulated depreciation computed on the straight-line method over the following estimated lives:

	<u>Years</u>
Buildings	20 – 40
Equipment	5 – 10
Vehicles	5

Inventories

Inventories are stated at the net realizable value and consist of consumable supplies. The cost of these supplies is recorded as an expense at the time they are relieved from inventory for use. Inventories are determined by actual count and priced on the first-in, first-out basis.

Encumbrances

Encumbrances, which represent commitments related to unperformed contracts for goods or services, have not been recorded in the financial statements.

Fund Balance Classifications

The District has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints and the purposes for which resources can be used:

Nonspendable – consists of amounts that are not in spendable form, such as inventory and prepaid items.

Restricted – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors.

Committed – consists of amounts constrained to specific purposes by the government itself, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the District's intended use. These constraints are established by the District's Board.

GRAND FORKS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2019

Unassigned – is the residual classification for the general fund and also reflects negative residual amounts in other funds.

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

When committed, assigned or unassigned resources are available for use, the District's preference is to use resources in the following order: 1) committed, 2) assigned, 3) unassigned.

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Property Taxes

Property tax revenues are recognized in the year for which they are levied. Property tax levies are set in September each year and are certified to Grand Forks County for collection in the following year. In North Dakota, counties act as collection agents for all property tax.

The County spreads all levies over taxable property. Property taxes are attached as an enforceable lien on the real estate and become due on January 1 of the year following the assessment date.

A five percent reduction on the taxes is allowed if the taxes are paid in full by February 15. Penalty and interest are added on March 1 if the first half of the taxes is not paid. Additional penalty and interest are added October 15 to those taxes, which are not paid.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Compensated Absences

Employees accrue vacation leave at a rate of various hours per pay period for years of continuous service. The maximum amount of vacation leave is 30 days. When an employee reaches this limit, the accrual of additional vacation time will be suspended until such time as the employee's accrued vacation falls below the limit. All outstanding vacation is payable upon termination.

GRAND FORKS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2019

Employees may opt to take compensatory time instead of overtime pay for hours worked exceeding 40 hours in one week. Employees accrue compensatory time at a rate of 1.5 hours per hour worked exceeding 40 hours in one week. There is no maximum on the amount of compensatory time an employee may accrue during the year; however, only 100 hours of compensatory time can carry over to the next year. All outstanding comp time is payable upon termination.

Sick leave is accrued at a rate of four hours per pay period (prorated for regular part-time employees). Unused sick leave benefits will be allowed to accumulate up to 240 hours. Once the limit of 240 hours has been reached, employees will be eligible to trade any accrued sick leave above the 240 hours at a rate of 24 hours of sick leave for 8 hours of additional vacation. Upon time of termination of employment or retirement, an employee will not be compensated for accrued sick leave.

Economic Dependency

The District has significant economic dependency on the mill levy from Grand Forks County.

NOTE 2 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

Governmental Activities	Balance 1/1/2019	Additions	Disposals	Balance 12/31/2019
Capital Assets Being Depreciated				
Equipment	\$ 215,403	\$ -	\$ -	\$ 215,403
Buildings	193,499	526,413	(193,499)	526,413
Vehicles	123,032	-	-	123,032
Total	<u>531,934</u>	<u>526,413</u>	<u>(193,499)</u>	<u>864,848</u>
Less: Accumulated Depreciation				
Equipment	(148,422)	(14,476)	-	(162,898)
Buildings	(167,766)	(4,260)	169,832	(2,194)
Vehicles	(97,332)	(7,009)	-	(104,341)
Total	<u>(413,520)</u>	<u>(25,745)</u>	<u>169,832</u>	<u>(269,433)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 118,414</u>	<u>\$ 500,668</u>	<u>\$ (23,667)</u>	<u>\$ 595,415</u>

GRAND FORKS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2019

NOTE 3 COMPENSATED ABSENCES

The following is a summary of changes in compensated absences for the year ended December 31, 2019:

<u>Balance</u> <u>12/31/2018</u>	<u>Accrued</u> <u>2019</u>	<u>Used</u> <u>2019</u>	<u>Balance</u> <u>12/31/2019</u>	<u>Current</u> <u>Portion</u> <u>12/31/2019</u>
<u>\$ 19,422</u>	<u>\$ 16,757</u>	<u>\$ (16,421)</u>	<u>\$ 19,758</u>	<u>\$ 19,758</u>

NOTE 4 SIMPLE DEFERRED COMPENSATION PLAN

The District maintains a SIMPLE deferred compensation program for its employees. The District contributes three percent of total gross pay for eligible employees. The amount of this contribution for 2019 was \$6,582.

NOTE 5 ACCOUNTS PAYABLE

Accounts payable consists of amounts on open accounts owed to individuals, companies, or organizations for goods and services received prior to December 31, but paid for subsequent to that date.

NOTE 6 SHORT-TERM DEBT

The District obtained a loan of \$100,000 through Alerus Financial on November 22, 2019. The loan bears an interest rate of 4.75%. The loan is due upon maturity on May 1, 2020 with interest payments due the 1st of each month beginning January 1, 2020.

NOTE 7 DEPOSITS AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is risk associated with the failure of a depository financial institution to recover its deposits or collateralized securities that are in the possession of outside parties. The District does not have a formal policy that addresses custodial credit risk for deposits. However, in accordance with state statutes, the District maintains deposits at those depository banks and savings and loans authorized by the District, all of which are covered by federal deposit insurance. These statutes also require that the deposits be protected by insurance, collateral or surety bond. The fair value of the collateral pledged must be equal to or greater than 110% of the deposits not covered by insurance or bonds. As of December 31, 2019, the District's deposits were either fully insured or properly collateralized, and have no custodial risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rate. 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. As of December 31, 2019, the District had no debt securities investments.

GRAND FORKS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2019

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.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District does not have an investment policy that specifically addresses concentrations of credit risk in a single issuer.

NOTE 8 COMMITMENTS AND CONTINGENCIES

Risk Management

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

The District participates in the North Dakota Worker's Compensation Bureau.

The District carries commercial insurance for property and equipment.

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

Grant Programs

The District participates in numerous state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2019, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 9 EXCESS EXPENDITURES OVER BUDGET

The following expenditures exceeded their budgeted amounts by the following during the year ended December 31, 2019:

Payroll	\$ (10,059)
Professional Fees	(253)
Board Expenses	(2,640)
Staff Expense	(725)
Lease Payments	(3,245)
Building Construction Costs	(526,413)
Miscellaneous	(288)

GRAND FORKS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2019

NOTE 10 CLASSIFICATION OF FUND BALANCE

At December 31, 2019, governmental fund balance showed \$13,139 of nonspendable fund balance for inventory and prepaids, and \$38,377 of assigned fund balance for emergency and building purposes.

Minimum Fund Balance Policy

The District does not currently have a minimum fund balance policy in place, but tries to keep adequate reserves.

NOTE 11 NEW PRONOUNCEMENTS

GASB Statement No. 87, Leases, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

GASB Statement No. 91, Conduit Debt Obligations, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, Omnibus 2020, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity

GRAND FORKS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2019

of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 93, Replacement of Interbank Offered Rates, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that result from the replacement of IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

ASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 96, Subscription-Based Information Arrangements provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32 provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, Fiduciary Activities, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that

GRAND FORKS COUNTY SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2019

meet the criteria in paragraph 3 of Statement No. 67, Financial Reporting for Pension Plans, or paragraph 3 of Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

Management has not yet determined what effect these statements will have on the entity's financial statements.

NOTE 12 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through December 17, 2021 which is the date these financial statements were available to be issued.

GRAND FORKS COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GENERAL FUND -
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Tree Planting	\$ 31,000	\$ 31,000	\$ 29,341	\$ (1,659)
Weed Badger / Land Prep	1,000	1,000	1,638	638
Grass Seeding	7,000	7,000	6,467	(533)
Fabric/Tube / Mat Installation	25,000	25,000	22,755	(2,245)
Product Sales Revenue	22,000	22,000	33,847	11,847
Education Revenue	10,000	10,000	8,209	(1,791)
Mill Levy	275,000	275,000	281,258	6,258
Watershed Project - Grant	48,500	48,500	40,624	(7,876)
Investment Earnings	2,000	2,000	520	(1,480)
Miscellaneous	200	200	7,348	7,148
TOTAL REVENUES	<u>421,700</u>	<u>421,700</u>	<u>432,007</u>	<u>10,307</u>
EXPENDITURES				
Payroll	246,800	246,800	256,859	(10,059)
Equipment Purchase	15,000	15,000	-	15,000
Insurance	11,000	11,000	8,693	2,307
Office Expense	8,000	8,000	4,025	3,975
Utilities	3,100	3,100	1,114	1,986
Public Education and Information	47,500	47,500	44,383	3,117
Watershed	12,250	12,250	514	11,736
Maintenance and Repairs	11,000	11,000	6,780	4,220
Dues and Subscriptions	1,500	1,500	1,287	213
Professional Fees	9,000	9,000	9,253	(253)
Board Expenses	-	-	2,640	(2,640)
Staff Expense	3,500	3,500	4,225	(725)
Products and Services Expenses	60,100	60,100	45,612	14,488
Lease Payments	5,200	5,200	8,445	(3,245)
Building Construction Costs	-	-	526,413	(526,413)
Miscellaneous	1,550	1,550	1,838	(288)
TOTAL EXPENDITURES	<u>435,500</u>	<u>435,500</u>	<u>922,081</u>	<u>(486,581)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(13,800)	(13,800)	(490,074)	(476,274)
OTHER FINANCING SOURCES				
Sale of Assets	-	-	28,347	28,347
Loan Proceeds	-	-	100,000	100,000
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>128,347</u>	<u>128,347</u>
CHANGE IN FUND BALANCE	<u>(13,800)</u>	<u>(13,800)</u>	<u>(361,727)</u>	<u>(347,927)</u>
FUND BALANCE				
BEGINNING OF YEAR	413,243	413,243	413,243	-
END OF YEAR	<u>\$ 399,443</u>	<u>\$ 399,443</u>	<u>\$ 51,516</u>	<u>\$ (347,927)</u>

See Note to the Budgetary Comparison Schedule

GRAND FORKS COUNTY SOIL CONSERVATION DISTRICT
NOTE TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 1 BUDGET

The preliminary District budget is prepared by the finance committee which is made up of two board members and the District Clerk. The District budget is based upon available financial information and requests by the governing board as well as additional input received from the Tree Program Manager and the Watershed Coordinator. The District budget is prepared for the general fund by function and activity on the modified accrual basis of accounting. The budget is approved by the governing board. Annual appropriations lapse at the end of the fiscal year.

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

To the District Officials
Grand Forks County Soil Conservation District
Grand Forks, 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 financial statements of the governmental activities and the general fund information of the Grand Forks County Soil Conservation District as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Grand Forks County Soil Conservation District's basic financial statements, and have issued our report thereon dated December 17, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Grand Forks 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 Grand Forks County Soil Conservation 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 organization's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies, described in the accompanying schedule of findings and responses as items 2019-001 and 2019-002, that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grand Forks 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*.

Grand Forks County Soil Conservation District's Responses to Findings

Grand Forks County Soil Conservation District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Grand Forks 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

December 17, 2021

GRAND FORKS COUNTY SOIL CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2019

2019-001

Criteria

The District does not have the internal resources to identify all journal entries required to maintain a general ledger and to prepare the full-disclosure financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP).

Condition

The District's personnel prepare periodic financial information for internal use that meets the needs of management and the District Officials. However, the District does not have internal resources to identify all journal entries required to maintain a general ledger and to prepare full-disclosure financial statements required by GAAP for external reporting. The District is aware of this deficiency, and obtains the auditor's assistance in preparing journal entries to adjust the general ledger in accordance with GAAP and with the preparation of the District's annual financial statements.

Cause

The District does not have the internal expertise needed to handle all aspects of the external financial reporting.

Effect

The District's management is aware of the deficiency and addresses it by reviewing and approving the adjusting journal entries and the completed statements prior to distribution to the end users.

Recommendation

We recommend the entity consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control the entity should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Views of Responsible Officials and Planned Corrective Actions

Management agrees with the auditor's recommendation that management should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

GRAND FORKS COUNTY SOIL CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

2019-002

Criteria

Segregation of accounting functions is necessary to assure adequate internal control.

Condition

The District has one employee who is responsible for a majority of accounting functions involved. The employee handles all income monies, prepares the receipts and deposits, issues all checks and distributes them. The employee also records the receipts and disbursements to the journals and maintains the general ledger.

Cause

Due to a limited number of office personnel, there are not enough employees in order to have a proper segregation of accounting functions necessary to assure adequate internal accounting control.

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 period by employees in the normal course of performing their assigned functions.

Recommendation

This is not unusual in organizations of this size, but the District should be constantly aware of this condition and realize that the concentration of duties and the responsibilities in a limited number of individuals is not desirable from an internal control point of view. Under these conditions, the most effective controls lie in the District's knowledge of matters relating to Grand Forks County Soil Conservation District's operations.

Views of Responsible Officials and Planned Corrective Actions

The District is aware of the condition and segregates duties whenever possible.