

**SOURIS RIVER JOINT BOARD  
MINOT, NORTH DAKOTA**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

## TABLE OF CONTENTS

	Page
<b>BOARD OF DIRECTORS</b>	1
<b>INDEPENDENT AUDITOR'S REPORT</b>	2
<b>FINANCIAL STATEMENTS</b>	
Balance Sheet/Statement of Net Position – General Fund (Modified Cash Basis)	4
Statements of Receipts, Disbursements and Changes in Fund Balance/Statement Of Activities -General Fund (Modified Cash Basis)	5
Notes to the Financial Statements	6
<b>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></b>	13
Summary of Findings and Responses	15

**SOURIS RIVER JOINT BOARD**  
BOARD OF DIRECTORS  
DECEMBER 31, 2019 AND 2018

<u>Name</u>	<u>County/City</u>
David Ashley	McHenry County
Dan Steinberger (Term commenced: February 2020)	Renville County
Mark Cook (Term departure: January 2020)	Renville County
Tom Klein	Ward County
Clif Issendorf	Bottineau County
Dan Jonasson	City of Minot

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Souris River Joint Board  
Minot, North Dakota

We have audited the accompanying modified cash basis financial statements of the governmental activities and the general fund of Souris River Joint Board as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise Souris River Joint Board's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion 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 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 modified cash basis financial position of the governmental activities and the general fund of Souris River Joint Board as of December 31, 2019 and 2018, and the respective changes in modified cash basis financial position and where applicable, cash flows thereof for the years then ended in accordance with the modified 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 modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2020, on our consideration of Souris River Joint Board'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 Souris River Joint Board's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P. C.**  
**MINOT, NORTH DAKOTA**

November 4, 2020

**SOURIS RIVER JOINT BOARD**  
BALANCE SHEET/STATEMENT OF  
NET POSITION – GENERAL FUND (MODIFIED CASH BASIS)  
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	<u>\$ 1,278,931</u>	<u>\$ 1,691,616</u>
FUND BALANCE/NET POSITION		
Unassigned/Unrestricted	<u>\$ 1,278,931</u>	<u>\$ 1,691,616</u>

See Notes to the Financial Statements

**SOURIS RIVER JOINT BOARD**  
**STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN**  
**FUND BALANCE/STATEMENT OF ACTIVITIES – GENERAL FUND (MODIFIED CASH BASIS)**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
Receipts		
Cost share	\$ 52,430,433	\$ 37,306,625
Mill levies received from related parties	557,350	915,748
Water resource districts	350,000	-
Property sales	47,400	113,500
Total receipts	53,385,183	38,335,873
Disbursements		
Staff services	452,715	340,378
Local project expenses	105,068	210,115
MREFPP project expenses	49,840,478	33,372,964
StARR property acquisitions	3,380,025	3,172,069
Insurance expenses	10,965	10,965
Professional fees	2,520	6,120
Dues and subscriptions	6,000	10,000
Miscellaneous expenses	97	24
Total disbursements	53,797,868	37,122,635
Net change in fund balance/net position	(412,685)	1,213,238
FUND BALANCE/NET POSITION - JANUARY 1	1,691,616	478,378
FUND BALANCE/NET POSITION - DECEMBER 31	\$ 1,278,931	\$ 1,691,616

See Notes to the Financial Statements

**SOURIS RIVER JOINT BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Souris River Joint Board (the "Board") is presented to assist in understanding the Board's financial statements.

**Nature of operations and history**

Souris River Joint Board (the Board) was established to oversee activities related to the Mouse/Souris River in North Dakota. The Board is made up of one representative from four counties, Renville, Ward, McHenry, and Bottineau and one representative from the City of Minot.

**Reporting entity**

Component units are legally separate organizations for which the Board is financially accountable. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization's governing body and (1) the ability of the Board 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 Board. Component units may also include organizations that are fiscally dependent on the Board.

Based on the above criteria, the Board has no component units included in its report.

**Basis of accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. The accompanying financial statements have been presented using the modified cash basis of accounting. This basis recognizes assets, net position, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

The Board's activities are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income and financial position. All assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses are accounted for through the general fund. Current assets include cash and amounts convertible to cash during the next normal operating cycle or one year. Current liabilities include those obligations to be liquidated with current assets. Equity is classified as net position.



**SOURIS RIVER JOINT BOARD**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2019 AND 2018

**Fund description**

The Board 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.

**Cash and cash equivalents**

The Board considers cash and cash equivalents to consist of cash, certificates of deposit with a maturity of three months, money market accounts and savings accounts.

**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 Board'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.

**Fund Balance**

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) or are required to be maintained intact.

*Restricted* - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

*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 amounts a government intends to use for a specific purpose. These constraints are established by the Board and/or management.

*Unassigned* - consists of amounts that are available for any purpose; positive amounts are reported only in the general fund.

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

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

**SOURIS RIVER JOINT BOARD**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2019 AND 2018

**Net position flow assumption**

Sometimes, the government will fund capital outlays for particular purposes for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

**Use of estimates**

The preparation of financial statements in conformity with the modified cash basis of accounting used by the Board requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent asset 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 these estimates.

**NOTE 2 CUSTODIAL CREDIT RISK**

Custodial credit risk: This is the risk associated with the failure of a depository institution. In the event of a depository financial institution's failure the Board would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties. As the Board does not have a formal custodial policy, the Board follows North Dakota statutes. North Dakota statute requires all public deposits be protected by insurance, surety bond or collateral pledged by the financial institution. Pledged collateral must equal 110% of the deposits not covered by insurance or bonds. The amounts on deposit were insured by the FDIC up to \$250,000 per financial institution. At December 31, 2019, the Board had approximately \$4,734,500 in excess of the FDIC limit on deposit. The entire amount in excess of the FDIC depository insurance was covered by pledged securities at December 31, 2019.

**NOTE 3 RELATED PARTY TRANSACTIONS**

During the years end December 31, 2019 and 2018, the Board received \$40,000 and \$40,000, respectively, from Renville County, \$867,350 and \$875,748, respectively, from Ward County, and \$18,251,606 and \$13,181,634, respectively, from the City of Minot. The parties are all related to the Board through representation on the Board of Directors.

During the years ended December 31, 2019 and 2018, the Board made disbursements of \$617,022 and \$598,273, respectively, to the City of Minot.

**NOTE 4 ECONOMIC DEPENDENCY**

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

**SOURIS RIVER JOINT BOARD**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2019 AND 2018

**NOTE 5 COMMITMENTS**

As of December 31, 2019, the Board had approximately \$24,700,000 in outstanding projects for which there were signed contracts in progress at year end.

**NOTE 6 RISK MANAGEMENT**

The Souris River Joint Board 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.

In 1986, the State and other political subdivisions joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the State and over 2,000 political subdivisions. All members joined to help capitalize the NDRIF. The Board pays an annual premium to NDRIF for its personal injury and property damage liability, governance liability, and auto insurance coverage.

The Board does not retain any level of risk. There have been no significant changes in insurance coverage.

The Board continues to carry commercial insurance for all other risks of loss, including workers compensation, employee health and accident insurance.

There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**NOTE 7 NEW ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

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.

**SOURIS RIVER JOINT BOARD**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2019 AND 2018

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 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.

**SOURIS RIVER JOINT BOARD**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2019 AND 2018

GASB 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 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

**SOURIS RIVER JOINT BOARD**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2019 AND 2018

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 Board's financial statements.

With the exception of the new standards discussed above, we have not identified any other new accounting pronouncements that have potential significance to the Board's financial statements.

**NOTE 8 SUBSEQUENT EVENTS**

No significant events occurred subsequent to the Board's year end. Subsequent events have been evaluated through November 4, 2020, which is the date these financial statements were available to be issued.

**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 Board of Directors  
Souris River Joint Board  
Minot, 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 Souris River Joint Board as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Souris River Joint Board's basic financial statements, and have issued our report thereon dated November 4, 2020.

### **Internal Control over Financial Reporting**

In planning and performing our audits of the financial statements, we considered Souris River Joint Board'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 Souris River Joint Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Souris River Joint Board'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. 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 have not been identified. We did identify certain deficiencies in internal control, 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 Souris River Joint Board'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*.

## **Souris River Joint Board's Responses to Findings**

Souris River Joint Board's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Souris River Joint Board'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 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.  
MINOT, NORTH DAKOTA**

November 4, 2020



**SOURIS RIVER JOINT BOARD**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**DECEMBER 31, 2019**

**Section I. Findings Relating to Financial Statements**

**2019-001**

*Financial Statement Preparation - Material Weakness*

**Criteria:** An appropriate system of internal controls requires that the Board to prepare financial statements in compliance with the modified cash basis of accounting.

**Condition/Context:** The Board's auditors prepare periodic financial information for internal use that meets the needs of management and the board. However, the Board currently does not prepare financial statements, including accompanying note disclosures, as required by the modified cash basis of accounting. The entity has elected to have the auditors assist in the preparation of the financial statements and notes.

**Cause:** The Board elected to not allocate resources for the preparation of the financial statements.

**Effect:** There is an increased risk of material misstatement to the Board's financial statements.

**Recommendation:** We recommend the Board 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.

**View of responsible officials and corrective actions:** We agree with this finding. Due to the small size of the Board, it is not cost effective for the Board to properly address this significant control deficiency.

**Indication of repeat Finding:** This is a repeat finding.

**SOURIS RIVER JOINT BOARD**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
**DECEMBER 31, 2019**

<b>2019-002</b>	<i>Segregation of Duties – Material Weakness</i>
Criteria:	Generally, an appropriate system of internal control has the proper separation of duties between authorization, custody, record keeping, and reconciliation functions.
Condition/Context:	The Board has one person responsible for most accounting functions.
Cause:	The Board has a limited number of staff available due to the size of the organization.
Effect:	Under the current system, one individual has the ability to collect monies, deposit monies, issue checks, enter new customers, prepare customer's billings, receive and post customers payments, and reconcile the Board's bank accounts.
Recommendation:	While the Board does have some monitoring controls in place, we recommend that the Board review its current process to determine if the monitoring controls can be expanded and if any segregation Findcontrols can be economically implemented.
View of responsible officials and corrective actions:	We agree with this finding. Due to the small size of the Board, it is not cost effective for the Board to completely address this significant control deficiency. However, the Board has implemented additional authorization and monitoring controls to minimize the risk of this deficiency.
Indication of repeat finding:	This is a new finding.