

**STUTSMAN COUNTY SOIL  
CONSERVATION DISTRICT**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**WITH INDEPENDENT AUDITOR'S REPORT**

# STUTSMAN COUNTY SOIL CONSERVATION DISTRICT

## TABLE OF CONTENTS FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Page(s)</u>
Soil Conservation District Officials	1
Independent Auditor's Report	2 - 3
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Position - Modified Cash Basis	4
Statement of Activities - Modified Cash Basis	5
Balance Sheet - Modified Cash Basis - Governmental Funds	6
Statement of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis - Governmental Funds	7
Notes to Financial Statements	8-12
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>	13 - 14
Schedule of Findings and Responses	15 - 20

**STUTSMAN COUNTY SOIL CONSERVATION DISTRICT**

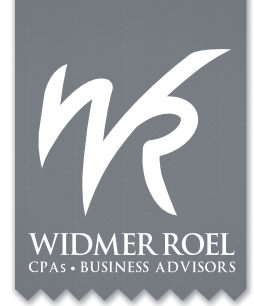
**SOIL CONSERVATION DISTRICT OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**December 31, 2019**

Rob Hess	Chairman
Bernie Wanzek	Vice Chair
Cody Kreft	Secretary/Treasure
Bob Martin	Appointed
Gloria Jones	Appointed

**Current**

Rob Hess	Chairman
Bernie Wanzek	Vice Chair
Bob Martin	Secretary/Treasure
Cody Kreft	Appointed
Gloria Jones	Appointed



4220 31st Avenue S.  
Fargo, ND 58104-8725

Phone: 701.237.6022  
Toll Free: 888.237.6022  
Fax: 701.280.1495

## INDEPENDENT AUDITOR'S REPORT

Board of Soil Conservation District Commissioners  
**Stutsman County Soil Conservation District**  
Jamestown, North Dakota

### Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities and major funds of the **Stutsman County Soil Conservation District** (Soil Conservation District), as of and for the year ended December 31, 2019 and the related notes to the modified cash basis financial statements, which collectively comprise the Soil Conservation 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 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 opinions on these financial statements based on our audit. 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 as a basis for our qualified audit opinions on the governmental activities and general fund, and unmodified opinion on the watershed fund.

<b>Opinion Unit</b>	<b>Type of Opinion</b>
Governmental activities	Qualified
General fund	Qualified
Watershed fund	Unmodified

***Basis for Qualified Opinion on the Governmental Activities and General Fund***

Due to our date of engagement to conduct the audit, we were unable to observe the Soil Conservation District's inventory near year-end, and we were unable to conduct alternate procedures to obtain sufficient appropriate evidence with respect to the inventory balances. The amount by which this departure would affect the assets, fund balances/net position, and expenditures/expenses of the governmental activities and general fund has not been determined.

***Qualified Opinions on the Governmental Activities and General Fund***

In our opinion, except for the effects, if any, of the matter described in the Basis for Qualified Opinion paragraph on the government wide and fund levels, the financial statements referred to above present fairly, in all material respects, the respective modified financial position of the governmental activities and major fund of the **Stutsman County Soil Conservation District**, as of December 31, 2019, and the respective changes in financial position – modified cash basis thereof for the year then ended in accordance with the basis of accounting described in Note 1.

***Unmodified Opinion on the Watershed Fund***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the watershed fund for **Stutsman County Soil Conservation District** as of December 31, 2019, and the respective changes in financial position – modified cash basis and, thereof for the year then ended in accordance with the basis of accounting described in Note 1.

**Other Matters**

***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 comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to that matter.

***Other Information***

The listing of board authority members 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 of them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2023, on our consideration of the **Stutsman 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 Soil Conservation 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 **Stutsman County Soil Conservation District's** internal control over financial reporting and compliance.



Fargo, North Dakota  
November 30, 2023

**STUTSMAN COUNTY SOIL CONSERVATION DISTRICT**  
**STATEMENT OF NET POSITION – MODIFIED CASH BASIS**  
**DECEMBER 31, 2019**

**ASSETS**

Cash and cash equivalents	\$ 201,446
Inventory	<u>14,461</u>
Total assets	\$ <u><u>215,907</u></u>

**NET POSITION**

Unrestricted	183,381
Restricted for watershed programs	<u>32,526</u>
Total net position	\$ <u><u>215,907</u></u>

**STUTSMAN COUNTY SOIL CONSERVATION DISTRICT**

**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

		<u>Program Revenues</u>			<u>Net Revenue (Expense) and Change in Net Position Total</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>GOVERNMENTAL ACTIVITIES</b>					
General government	\$ <u>383,796</u>	\$ <u>171,152</u>	\$ <u>-</u>	\$ <u>230,379</u>	\$ <u>17,735</u>
<b>GENERAL REVENUES</b>					
Mill levy					\$ <u>8,365</u>
Total general revenues					<u>8,365</u>
Change in net position					<u>26,100</u>
Net position - January 1					<u>189,807</u>
Net position - December 31					\$ <u>215,907</u>

**STUTSMAN COUNTY SOIL CONSERVATION DISTRICT**  
**BALANCE SHEET – MODIFIED CASH BASIS – GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2019**

	<u><b>General Fund</b></u>	<u><b>Watershed Fund</b></u>	<u><b>Total</b></u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 168,920	\$ 32,526	\$ 201,446
Inventory	<u>14,461</u>	<u>-</u>	<u>14,461</u>
Total assets	\$ <u><u>183,381</u></u>	\$ <u><u>32,526</u></u>	\$ <u><u>215,907</u></u>
<b>FUND BALANCES</b>			
Restricted for watershed programs	\$ -	\$ 32,526	\$ 215,907
Unassigned	<u>183,381</u>	<u>-</u>	<u>-</u>
Total fund balances	\$ <u><u>183,381</u></u>	\$ <u><u>32,526</u></u>	\$ <u><u>215,907</u></u>



**STUTSMAN COUNTY SOIL CONSERVATION DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –**  
**MODIFIED CASH BASIS – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>General Fund</b>	<b>Watershed Fund</b>	<b>Total</b>
<b>REVENUES</b>			
Intergovernmental	\$ 17,116	\$ 213,242	\$ 230,358
Lease and rental	13,150	-	13,150
Product sales	134,172	23,829	158,001
Mill levy	8,365	-	8,365
Miscellaneous income	12	10	22
	<u>172,815</u>	<u>237,081</u>	<u>409,896</u>
Total revenues	<u>172,815</u>	<u>237,081</u>	<u>409,896</u>
<b>EXPENDITURES</b>			
Federal watershed programs	-	143,506	143,506
Business expenses	303	3,569	3,872
Cost of goods sold	36,777	-	36,777
Contract services	-	10,657	10,657
Administration	15,910	3,723	19,633
Operations and maintenance	17,786	9,472	27,258
Transportation	14,112	3,090	17,202
Payroll expense	65,230	59,658	124,888
Interest expense and fees	3	-	3
	<u>150,121</u>	<u>233,675</u>	<u>383,796</u>
Total expenditures	<u>150,121</u>	<u>233,675</u>	<u>383,796</u>
Net change in fund balance	<u>22,694</u>	<u>3,406</u>	<u>26,100</u>
<b>FUND BALANCES - January 1</b>	<u>160,687</u>	<u>29,120</u>	<u>189,807</u>
<b>FUND BALANCES - December 31</b>	\$ <u><u>183,381</u></u>	\$ <u><u>32,526</u></u>	\$ <u><u>215,907</u></u>

# STUTSMAN COUNTY SOIL CONSERVATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Nature of Operations*

The Stutsman County Soil Conservation District, Jamestown, North Dakota (“Soil Conservation District”), operates under Chapter 4-01 of the North Dakota Century Code, as applicable to soil conservation districts. The accounting policy of the Soil Conservation District is to maintain the accounting records on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 Soil Conservation District’s accounting policies are described below.

#### *Reporting Entity*

The accompanying financial statements present the activities of the Stutsman County Soil Conservation District. The Soil Conservation District has considered all potential component units for which the Soil Conservation District is financially accountable and other organizations for which the nature and significance of their relationships with the Soil Conservation District are such that exclusion would cause the Soil Conservation 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 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 the Soil Conservation District. Based on these criteria, there are no component units to be included within the Soil Conservation District as a reporting entity.

#### *Basis of Presentation*

*Government-wide statements:* The statement of net position and the statement of activities display information about the primary government of the Soil Conservation District. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Soil Conservation District’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including property taxes and miscellaneous revenues, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the Soil Conservation District’s general fund. Separate statements for the fund category-*governmental* are presented. The emphasis of fund financial statements is on the major governmental fund, displayed in a separate column.

# **STUTSMAN COUNTY SOIL CONSERVATION DISTRICT**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

The Soil Conservation District reports the following major governmental funds:

*General Fund.* This is the Soil Conservation District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Watershed Fund.* This restricted fund is used to administer specific federal watershed programs and grants.

### ***Measurement Focus and Basis of Accounting***

Measurement focus is a term used to describe how transactions are recorded within the various financial statements. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement of focus.

The government-wide financial statements are reported using the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred.

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 the Soil Conservation District's financial statements. Only cash and cash equivalents, inventory, capital assets and long-term debt (when applicable) are recorded under the basis of accounting described above. They are included on the statement of net position.

### ***Cash and Cash Equivalents***

The Soil Conservation District's cash and cash equivalents are demand deposits. These amounts must be deposited in a financial institution situated and doing business within North Dakota.

### ***Inventory***

Inventory consist primarily of merchandise held for resale to customers and is valued at lower cost (first-in, first-out) or net realizable value.

### ***Capital Assets***

Capital assets include property, plant and equipment. Capital assets are reported in the governmental activities column of the government-wide financial statements. Capital assets are defined by the Soil Conservation District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

# STUTSMAN COUNTY SOIL CONSERVATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

General infrastructure assets are reported for that acquired and constructed after January 1, 2004 and are reported at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as infrastructure projects as they are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

Buildings	25 to 100 years
Equipment	5 to 20 years

### ***Fund Balances***

The order of spending and availability of the fund balance shall be to reduce funds from the listed areas in the following order: restricted, committed, assigned, and unassigned. Fund Balance Reporting and Governmental Fund Type Definitions GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

<b><i>CLASSIFICATION</i></b>	<b><i>DEFINITION</i></b>	<b><i>EXAMPLES</i></b>
Non-spendable	Amounts that cannot be spent because they are either: (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables (loans), endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either: (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the governing board. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the business manager.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance.	Available for any remaining general fund expenditure.

## **STUTSMAN COUNTY SOIL CONSERVATION DISTRICT**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

The Soil Conservation District reports unassigned fund balance in the balance sheet in the general fund at each year-end.

#### ***Net Position***

When both restricted and unrestricted resources are available for use, it is the Soil Conservation District's policy to first use restricted resources first, then unrestricted resources as they are needed. Net investment in capital assets in the statement of net position is shown for capital assets less accumulated depreciation, and less any related debt used to finance the purchase and construction of those capital assets. The resources needed to repay this related debt must be provided from other sources, since the capital assets are not used to liquidate these liabilities. These assets are not available for future spending. Unrestricted net position consists of activity related to the general fund and is available to meet the Soil Conservation District's ongoing obligations.

#### ***Interfund Activity***

In the governmental fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions, except reimbursements, are reported as transfers. In the government-wide financial statements, interfund transactions have been eliminated.

#### **NOTE 2 – CASH AND CASH EQUIVALENTS**

In accordance with North Dakota Statutes, the Soil Conservation District maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

Deposits must either be deposited with the Bank of North Dakota or in other financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. 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.

At the year ended December 31, 2019, the Soil Conservation District's carrying amount of deposits was \$201,394. All balances were covered by federal depository insurance.

# STUTSMAN COUNTY SOIL CONSERVATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

### NOTE 3 – CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Capital assets, being depreciated</b>				
Buildings	\$ 34,000	\$ -	\$ -	\$ 34,000
Equipment	<u>471,313</u>	<u>-</u>	<u>(34,200)</u>	<u>437,113</u>
Total capital assets, being depreciated	<u>505,313</u>	<u>-</u>	<u>(34,200)</u>	<u>471,113</u>
<b>Accumulated depreciation</b>				
Buildings	34,000	-	-	34,000
Equipment	<u>471,313</u>	<u>-</u>	<u>(34,200)</u>	<u>437,113</u>
Total accumulated depreciation	<u>505,313</u>	<u>-</u>	<u>(34,200)</u>	<u>471,113</u>
<b>Capital assets, net</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

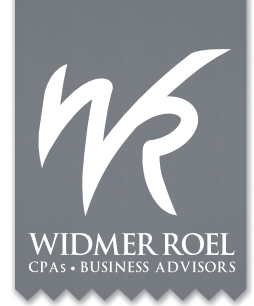
### NOTE 4 – RISK MANAGEMENT

The Soil Conservation 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.

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Soil Conservation District pays an annual premium to NDIRF for its general liability and auto insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability, and for automobile coverage actual cash value or cost of repair for auto coverage.

The Stutsman County Soil Conservation District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Soil Conservation District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period.

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



4220 31st Avenue S.  
Fargo, ND 58104-8725

Phone: 701.237.6022  
Toll Free: 888.237.6022  
Fax: 701.280.1495

## **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 Soil Conservation District Commissioners  
**Stutsman County Soil Conservation District**  
Jamestown, 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 modified cash basis financial statements of the governmental activities and major funds of **Stutsman 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 **Stutsman County Soil Conservation District's** basic financial statements, and have issued our report thereon dated November 30, 2023.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered **Stutsman 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 **Stutsman County Soil Conservation District's** internal control. Accordingly, we do not express an opinion on the effectiveness of **Stutsman County Soil Conservation 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. *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 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. However, as described in the accompanying *schedule of audit findings and responses*, we did identify certain deficiencies in internal control that we consider to be material weaknesses as items 2019-001 to 2019-007.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether **Stutsman County Soil Conservation District** 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*.

## **Stutsman County Soil Conservation District's Response to Findings**

**Stutsman County Soil Conservation District's** response to the findings identified in our audit is described in the accompanying schedule of findings and responses. **Stutsman County Soil Conservation District's** response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express 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.



Fargo, North Dakota  
November 30, 2023



# STUTSMAN COUNTY SOIL CONSERVATION DISTRICT

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2019

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

#### Financial Statements

Type of auditor’s report issued:

Qualified – Governmental activities  
Qualified – General fund  
Unmodified – Watershed fund

Internal control over financial reporting:

Material weakness(es) identified?

  X   yes

       no

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

       yes

  X   none reported

Noncompliance material to financial statements noted?

       yes

  X   no

# **STUTSMAN COUNTY SOIL CONSERVATION DISTRICT**

## **SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2019**

### **SECTION II – FINANCIAL STATEMENT FINDINGS**

#### **2019-001 (MATERIAL WEAKNESS) – SEGREGATION OF DUTIES**

##### ***Condition***

The limited number of personnel prevents a proper segregation of duties to ensure adequate internal control.

##### ***Criteria***

To ensure adequate internal control over financial reporting and prevent material misstatements due to errors or fraud, there should be a segregation of the functions of approval, custody of assets, posting, and reconciliation.

##### ***Cause***

The Soil Conservation District operates on a very small operating budget and relies strictly on volunteers for its management and governance. It does not have access to sufficient resources to fully segregate financial responsibilities.

##### ***Effect***

There is an increased risk of errors, fraud or noncompliance which could be material to the financial statements.

##### ***Recommendation***

This condition is not unusual in small government entities, and our audit procedures found that the volunteer board is actively involved in the financial and other matters of the Soil Conservation District. However, we recommend the governing board be aware of the risk associated with the size of the district, and continue to exercise oversight.

We recommend that management be aware of the lack of segregation of duties and implement controls wherever possible to mitigate this risk. We recommend that the Soil Conservation District implement and/or continue the following:

- Continue to review and approve all significant financial transactions. Include or attach listing of transactions with official minutes.
- Continue to review detailed financial statements of the Soil Conservation District on a regular basis.
- Continue to review and approve all significant contracts and agreements.
- Consider having checks signed by a board member other than treasurer (this may, but need not necessarily include implementation of dual signatures on checks).
- Consider having a separate board member review and initial bank reconciliations.

##### ***Views of Responsible Officials***

The District will continue to utilize two signatures on all checks, bank transfers and withdrawals, and board members will continue to receive financial statements at monthly meetings and year-end.

## **STUTSMAN COUNTY SOIL CONSERVATION DISTRICT**

### **SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2019**

#### **2019-002 (MATERIAL WEAKNESS) – FINANCIAL STATEMENT PREPARATION**

##### ***Condition***

Widmer Roel PC assists management in preparing financial statements that are presented, including note disclosures in conformity with the applicable basis of accounting.

##### ***Criteria***

As a matter of internal control, management should be responsible for and capable of preparing financial statements and, notes to the financial statements, in conformity with the applicable basis of accounting.

##### ***Cause***

The board feels that it is more cost effective to ask an independent accountant to prepare the complete financial statements and disclosures, rather than to invest in ongoing specialized training that would be necessary.

##### ***Effect***

Without the assistance of the auditors, the financial statements and the schedule of expenditures of federal awards could be misstated or omit material financial statement disclosures.

##### ***Recommendation***

We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. We further recommend that a responsible official review a current appropriate disclosure checklist or other guidance to ensure the financial statements contain all necessary disclosures.

##### ***Views of Responsible Officials***

Board members will continue to receive financial statements at monthly meetings and year-end.

#### **2019-003 (MATERIAL WEAKNESS) – MATERIAL AUDIT ADJUSTMENTS**

##### **Condition**

During the audit, we noted several account balances which needed audit adjustments to be presented in accordance with the modified cash basis.

##### **Criteria**

Management should have adequate controls in place to ensure the financial statements are presented in accordance with the applicable basis of accounting.

##### **Cause**

Management was not aware of some of the accounting requirements for certain individual transactions.

## **STUTSMAN COUNTY SOIL CONSERVATION DISTRICT**

### **SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2019**

#### **Effect of Condition**

There is an increased risk the financial statements could be materially misstated.

#### **Recommendations**

We will discuss the specific adjusting entries with management, and they will be presented to management for review and approval and communicated to the governing board. We will provide technical guidance to management regarding posting of the transactions on the district's software, and where appropriate we will provide schedules for management to complete to facilitate year-end adjustments for external financial reporting/audit purposes.

#### **View of Responsible Officials**

Management will make adjustments through QuickBooks.

### **2019-004 (MATERIAL WEAKNESS) – ADDITIONAL EMPLOYEE COMPENSATION**

#### **Condition**

Widmer Roel noted certain additional employee compensation such as health insurance and cellphone reimbursement were not included in the W-2 forms of the employees. The Soil Conservation District has a policy to provide for reimbursement of health insurance premiums obtained from outside sources, such as being on a spouse's plan. The Soil Conservation District also reimburses employees for cellphone expenses. These payments are included in the payroll checks.

#### **Criteria**

According to federal and state tax regulations there are very limited circumstances in which an employee may receive compensation that is not included in taxable income.

#### **Cause**

The Soil Conservation District's management was not aware of the tax implications.

#### **Effect of Condition**

These payments, should they be subject to be included in taxable income, could be in violation of federal and state tax regulations and result in additional liability to the Soil Conservation District and/or its employees.

#### **Recommendations**

Widmer Roel recommends all taxable employee compensation be included in taxable income. The Soil Conservation District should ensure that healthcare premiums and cellphone expenses are properly taxed if included as part of employee compensation.

#### **View of Responsible Officials**

These benefits have now been added to employee payroll.

# **STUTSMAN COUNTY SOIL CONSERVATION DISTRICT**

## **SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2019**

### **2019-005 (MATERIAL WEAKNESS) – BANK RECONCILIATION**

#### **Condition**

Widmer Roel noted end of year bank reconciliation wasn't completed until February 6, 2020, causing reconciled balance and book year-end balance to not agree.

#### **Criteria**

A good system of internal accounting controls includes proper reconciliation of all general ledger accounts and adjustments of those accounts to the reconciled balances within a timely manner. It is also recommended that the board is aware of any reconciliation issues or what the outstanding items are.

#### **Cause**

The District did not reconcile the bank account until February 6, 2020. This allowed transactions from the following fiscal year to appear on the bank reconciliation.

#### **Effect of Condition**

This affects the District's ability to detect misstatements in amounts that could be material in relation to the financial statements.

#### **Recommendations**

Widmer Roel recommends the District reconcile all bank accounts in a timely manner and investigate any difference between bank and book balances.

#### **View of Responsible Officials**

Reconciliations are now completed on all bank accounts and brought to the board at monthly meetings.

### **2019-006 (MATERIAL WEAKNESS) – INVENTORY**

#### **Condition**

Management was unable to provide a detailed year-end inventory listing which agreed to its financial statements.

#### **Criteria**

A good system of internal accounting controls includes maintaining accurate inventory records and performing physical year-end inventory counts.

#### **Cause**

The District did not maintain appropriate inventory records or perform physical year-end inventory counts.

## **STUTSMAN COUNTY SOIL CONSERVATION DISTRICT**

### **SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2019**

#### **Effect of Condition**

This affects the District's ability to detect misstatements in inventory amounts that could be material in relation to the financial statements.

#### **Recommendations**

Widmer Roel recommends the District maintain appropriate inventory records and perform periodic physical inventory counts.

#### **View of Responsible Officials**

Inventory is completed annually and provided to the board and the financial report presented to the state.

### **2019-007 (MATERIAL WEAKNESS) – BUDGET**

#### **Condition**

Management was unable to provide a copy of its approved budget.

#### **Criteria**

North Dakota Century Code 57-15-02.2 states in part "...the governing body of a taxing district shall provide to the county auditor in each county in which the taxing district has taxable property a preliminary budget...". The passing of the budget should also be recorded in the minutes.

#### **Cause**

The District did not properly pass a budget or record it in the minutes.

#### **Effect of Condition**

Failure to follow the NDCC could affect the mill levy.

#### **Recommendations**

Widmer Roel recommends the District maintain appropriate minutes and pass a budget each year.

#### **View of Responsible Officials**

A budget is now completed annually and approved at special budget meetings and included with year-end reporting.