

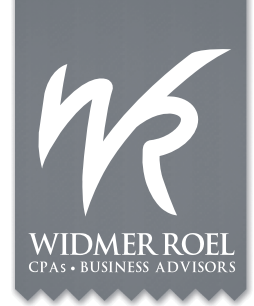
**GRANT COUNTY SOIL
CONSERVATION DISTRICT**

**FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

WITH INDEPENDENT AUDITOR'S REPORT

GRANT COUNTY SOIL CONSERVATION DISTRICT
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FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Conservation District
Grant County Soil Conservation District
103 Dakota Street
Carson, North Dakota

Qualified and Disclaimer of Opinions

We have audited modified cash basis financial statements of the major fund; and we were engaged to audit the modified cash basis financial statements of the governmental activities of **Grant County Soil Conservation District** (District), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Summary of Opinions

<i>Opinion Unit</i>	<i>Type of Opinion</i>
Governmental Activities	Disclaimer
General Fund	Qualified

Disclaimer of Opinion on the Governmental Activities

We do not express an opinion on the accompanying financial statements of the governmental activities of **Grant County Soil Conservation District**. Because of the significance of the matter described in the Basis for Disclaimer of Opinion on the Governmental Activities section of our report, we have not been able to obtain sufficient appropriate evidence to provide a basis for an audit opinion on the financial statements of the governmental activities.

Qualified Opinion on the General Fund

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the General Fund of **Grant County Soil Conservation District**, as of December 31, 2019 and 2018, and the changes in financial position thereof for the years then ended in accordance with modified cash basis of accounting as described in Note 1.

Basis for Disclaimer of Opinion on the Governmental Activities

We were unable to obtain sufficient supporting documentation for capital assets records, as well as certain revenue and expenditure transactions selected for testing. As a result of this matter, we were unable to determine whether any adjustments might have been necessary with respect to the capital assets.

Basis for Qualified Opinion on the Major Fund

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in Auditor's Responsibilities for the Audit Statements section of our report. We are required to be independent of **Grant County Soil Conservation District** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

We were unable to obtain sufficient supporting documentation for certain revenues and expenditures transactions selected for testing. The amount by which this departure would affect the assets, fund balances, revenue and expenditures of the general fund has not been determined.

Emphasis of Matter – Basis of Accounting

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

Responsibilities of Management for the Financial Statements

Grant County Soil Conservation District's 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Grant County Soil Conservation District's** ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Auditor's Responsibilities for the Audit of the Governmental Activities

Our responsibility is to conduct an audit of **Grant County Soil Conservation District's** financial statements in accordance with GAAS and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion on the Governmental Activities section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the governmental activities.

Auditor's Responsibilities for the Audit of the General Fund

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 **Grant County Soil Conservation District's** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the **Grant County Soil Conservation District's** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2023, on our consideration of the **Grant 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 **Grant County Soil Conservation District's** internal control over financial reporting and compliance.



Fargo, North Dakota
December 7, 2023

GRANT COUNTY SOIL CONSERVATION DISTRICT
STATEMENTS OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 42,268	\$ 72,245
Capital assets net of accumulated depreciation		
Buildings	140,278	147,363
Equipment	<u>37,279</u>	<u>48,362</u>
Total assets	\$ <u>219,825</u>	\$ <u>267,970</u>
 NET POSITION		
Net investment in capital assets	\$ 177,557	\$ 195,725
Unrestricted	<u>42,268</u>	<u>72,245</u>
Total net position	\$ <u>219,825</u>	\$ <u>267,970</u>

GRANT 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>Grants and Contributions</u>	
GOVERNMENTAL ACTIVITIES				
General government	\$ <u>554,965</u>	\$ <u>93,577</u>	\$ <u>335,089</u>	\$ <u>(126,299)</u>
GENERAL REVENUES				
Mill levy				29,561
Miscellaneous revenues				<u>48,593</u>
Total general revenues				<u>78,154</u>
Change in net position				<u>(48,145)</u>
Net position - January 1				<u>267,970</u>
Net position - December 31				\$ <u>219,825</u>

GRANT COUNTY SOIL CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Program Revenues</u>			Net Revenue (Expense) and Change in Net Position Total
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Grants and Contributions</u>	
GOVERNMENTAL ACTIVITIES				
General government	\$ <u>578,120</u>	\$ <u>179,309</u>	\$ <u>327,829</u>	\$ <u>(70,982)</u>
GENERAL REVENUES				
Mill levy				25,569
Miscellaneous revenues				<u>46,938</u>
Total general revenues				<u>72,507</u>
Change in net position				<u>1,525</u>
Net position - January 1				<u>266,445</u>
Net position - December 31				\$ <u>267,970</u>

GRANT COUNTY SOIL CONSERVATION DISTRICT
BALANCE SHEETS – MODIFIED CASH BASIS – GOVERNMENTAL FUNDS
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ <u>42,268</u>	\$ <u>72,245</u>
FUND BALANCES		
Unassigned		
General fund	\$ <u>42,268</u>	\$ <u>72,245</u>

GRANT COUNTY SOIL CONSERVATION DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEETS
TO THE STATEMENTS OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Total fund balances for governmental funds	\$ 42,268	\$ 72,245
Total net position reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds		
Cost of capital assets	401,417	401,417
Less accumulated depreciation	<u>(223,860)</u>	<u>(205,692)</u>
Total net position of governmental activities	\$ <u>219,825</u>	\$ <u>267,970</u>

GRANT COUNTY SOIL CONSERVATION DISTRICT

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – MODIFIED CASH BASIS – GOVERNMENTAL FUNDS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
REVENUES		
Grants	\$ 335,089	\$ 327,829
Charges for services	93,577	179,566
Local tax	29,561	25,569
Other revenue	48,357	46,536
Interest earned	<u>237</u>	<u>145</u>
Total revenues	<u>506,821</u>	<u>579,645</u>
EXPENDITURES		
Payroll expense	135,614	137,067
Administration	1,794	4,867
Advertisements	634	402
Arboretum and yard	876	445
Awards	88	198
Business expenses	11,447	12,661
Contributions	385	320
Cost of goods sold	37,059	80,760
Dues and subscriptions	756	955
Education	4,471	4,841
Insurance	3,353	3,208
Operations and maintenance	11,596	17,396
Projects	326,905	299,668
Transportation	<u>1,820</u>	<u>2,529</u>
Total operating expenditures	<u>536,798</u>	<u>565,317</u>
Net change in fund balances	<u>(29,977)</u>	<u>14,328</u>
FUND BALANCES - January 1	<u>72,245</u>	<u>57,917</u>
FUND BALANCES - December 31	\$ <u><u>42,268</u></u>	\$ <u><u>72,245</u></u>

GRANT COUNTY SOIL CONSERVATION DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT
OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Net change in fund balances - total governmental funds	\$ (29,977)	\$ 14,328
Amount reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period these amounts are:		
Current year capital outlay	-	5,366
Depreciation expense	<u>(18,168)</u>	<u>(18,168)</u>
Change in net position of governmental activities	\$ <u><u>(48,145)</u></u>	\$ <u><u>1,526</u></u>

GRANT COUNTY SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The accounting policy of the Grant County Soil Conservation District (“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 District’s accounting policies are described below.

Reporting Entity

The accompanying financial statements present the activities of the District. The District has considered all potential component units for which the District is financially accountable and other organizations for which the nature and significance of their relationships with the District are such that exclusion would cause the District’s financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body and (1) the ability of the governing body to impose its will on that organization or (2) the potential for the governing body to provide specific financial benefits to or impose specific financial burdens on the organization. Based on these criteria, there are no component units to be included within the 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 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, service charges, and other non-exchange transactions.

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

Fund Financial Statements: The fund financial statements provide information about the 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.

The District reports the following major governmental fund:

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

GRANT COUNTY SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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 District's financial statements. Only 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 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.

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 District as assets with an initial, individual cost of more than \$1,000. 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.

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

Buildings	40 years
Improvements	40 years
Equipment	10 years

GRANT COUNTY SOIL CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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:

CLASSIFICATION	DEFINITION	EXAMPLES
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.

The District reports unassigned fund balance in the balance sheet in the general fund at each year-end. The District has no other funds to report.

Net Position

When both restricted and unrestricted resources are available for use, it is the District's policy to first use restricted resources, 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 District's ongoing obligations.

GRANT COUNTY SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2 – CASH AND CASH EQUIVALENTS

Custodial Credit Risk

The District does not have a formal policy regarding deposits that limits the amount it may invest in any one issuer. Credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution's failure, recovery of these deposits or collateralized securities in the possession of outside parties would not be available to the District.

In accordance with North Dakota Statutes, the 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 District's carrying amount of deposits were \$42,268 and the bank balances were \$42,268. At the year ended December 31, 2018, the District's carrying amount of deposits were \$72,245 and the bank balances were \$72,245. All balances were covered by Federal Depository Insurance.

GRANT COUNTY SOIL CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Capital assets, being depreciated				
Buildings	\$ 283,400	\$ -	\$ -	\$ 283,400
Equipment	<u>118,017</u>	<u>-</u>	<u>-</u>	<u>118,017</u>
Total capital assets, being depreciated	<u>401,417</u>	<u>-</u>	<u>-</u>	<u>401,417</u>
Less accumulated depreciation for				
Buildings	136,037	7,085	-	143,122
Equipment	<u>69,655</u>	<u>11,083</u>	<u>-</u>	<u>80,738</u>
Total accumulated depreciation	<u>205,692</u>	<u>18,168</u>	<u>-</u>	<u>223,860</u>
Total capital assets, being depreciated, net	\$ <u>195,725</u>	\$ <u>(18,168)</u>	\$ <u>-</u>	\$ <u>177,557</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Capital assets, being depreciated				
Buildings	\$ 283,400	\$ -	\$ -	\$ 283,400
Equipment	<u>112,651</u>	<u>5,366</u>	<u>-</u>	<u>118,017</u>
Total capital assets, being depreciated	<u>396,051</u>	<u>5,366</u>	<u>-</u>	<u>401,417</u>
Less accumulated depreciation for				
Buildings	128,952	7,085	-	136,037
Equipment	<u>58,572</u>	<u>11,083</u>	<u>-</u>	<u>69,655</u>
Total accumulated depreciation	<u>187,524</u>	<u>18,168</u>	<u>-</u>	<u>205,692</u>
Total capital assets, being depreciated, net	\$ <u>208,527</u>	\$ <u>(12,802)</u>	\$ <u>-</u>	\$ <u>195,725</u>

Depreciation expense totaling \$18,168 and \$18,168 for 2019 and 2018, respectively was charged to the General Government function.

GRANT COUNTY SOIL CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 4 – 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.

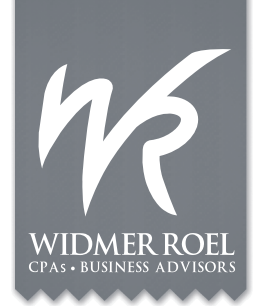
In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Grant County Soil Conservation District pays an annual premium to NDIRF for its auto insurance coverage. The coverage by NDIRF is limited to losses of one million dollars per occurrence for automobile coverage and actual cash value or cost of repair for auto coverage. The Grant County Soil Conservation District purchases commercial insurance for general liability which has an aggregate limit of two million through Farmers Union Insurance.

The Grant County Soil Conservation District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The 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.

NOTE 5 – OPERATING LEASE

The District leases part of their office space to the U.S. Department of Agriculture for annual payments of \$45,415, which is included in miscellaneous revenue.



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

Board of Directors of the Soil Conservation District
Grant County Soil Conservation District
Carson, 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 and major fund, and we were engaged to audit the financial statements of the governmental activities, of **Grant County Soil Conservation District** as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise **Grant County Soil Conservation District's** basic financial statements, and have issued our report thereon dated December 7, 2023.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered **Grant 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 **Grant County Soil Conservation District's** internal control. Accordingly, we do not express an opinion on the effectiveness of **Grant 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 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*, we did identify certain deficiencies in internal control that we consider to be material weaknesses as items 2019-001, 2019-002 and 2019-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Grant 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 audits 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*.

Grant County Soil Conservation District's Response to Findings

Grant County Soil Conservation District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. **Grant 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.

A handwritten signature in black ink, appearing to read "William R. Rouse". The signature is fluid and cursive, with a large initial "W" and a stylized "R".

Fargo, North Dakota
December 7, 2023

GRANT COUNTY SOIL CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	Unmodified	Modified Cash Basis
Internal control over financial reporting:		
Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> </u> yes	<u> X </u> no
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

GRANT COUNTY SOIL CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

SECTION II – FINANCIAL STATEMENT FINDINGS

2019-001 (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 modified cash 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 modified cash 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 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.

Views of Responsible Officials

The board will take this under consideration.

GRANT COUNTY SOIL CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

2019-002 (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 District operates on a small operating budget and relies on volunteers for its 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

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 board will continue to review and approve bills and will consider adding procedures where feasible to help ensure proper internal controls.

GRANT COUNTY SOIL CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

2019-003 (MATERIAL WEAKNESS) – ACCOUNTING RECORDS

Condition

Over the course of the audit, Widmer Roel discovered that the district did not have various documents available when requested.

We were unable to obtain supporting documentation for various items throughout the audit, including:

- Records to support purchases of capital assets
- Records to support certain journal entries for testing
- Records to support certain disbursements selected for testing

Criteria

All records should be maintained and easily accessible to support all numbers in the financial statements.

Cause

It appears that the previous district clerk did not implement such a filing system.

Effect

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

Recommendation

We recommend the District adopt a formal records retention policy to maintain sufficient records for a period of time. It is best practice to maintain a paper or electronic filing system that allows for easy access and which includes backups of electronic data or copies of important paper files.

Views of Responsible Officials

Client has started backing up records on an offsite location, and will implement a process to scan invoices to have electronic copies on hand in the future.