

# **AUDIT REPORT**

**SOUTH MCLEAN COUNTY SOIL CONSERVATION DISTRICT  
Turtle Lake, North Dakota**

**For the Years Ended December 31, 2021 and 2020**

**RATH & MEHRER, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

SOUTH MCLEAN COUNTY SOIL CONSERVATION DISTRICT  
Turtle Lake, North Dakota

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For the Years Ended December 31, 2021 and 2020

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SOUTH MCLEAN COUNTY SOIL CONSERVATION DISTRICT  
Turtle Lake, North Dakota

OFFICIALS

Drew Petersen	Chairman
Jeffrey Walcker	Vice Chairman
Ethan Fylling	Supervisor
Tom Volochenko	Supervisor
Doris Wall	Supervisor
Kathrine Butler	District Clerk

# Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA  
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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
South McLean County Soil Conservation District  
Turtle Lake, North Dakota

### **Report on the Audit of Financial Statements**

#### **Opinions**

We have audited the financial statements of the governmental activities and the major fund of the South McLean County Soil Conservation District, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the soil conservation district's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the soil conservation district, as of December 31, 2021 and 2020, and the respective changes in financial position for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audits 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 the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the soil conservation district, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and 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 the 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

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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audits.
- 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 audits 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 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgeting comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2023 on our consideration of the 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 the soil conservation district's internal control over financial reporting and compliance.



Rath and Mehrer, P.C.

Bismarck, North Dakota

May 12, 2023



SOUTH MCLEAN COUNTY SOIL CONSERVATION DISTRICT  
Turtle Lake, North Dakota

Statement of Net Position  
December 31, 2021

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash	368,998.45
Accounts Receivable	3,485.78
Intergovernmental Receivables	24,007.63
Taxes Receivable	1,860.62
Due from County Treasurer	28,840.04
Capital Assets (net of accumulated depreciation):	
Buildings	19,546.00
Machinery and Vehicles	<u>52,562.00</u>
Total Capital Assets	<u>72,108.00</u>
Total Assets	<u>499,300.52</u>
<u>LIABILITIES:</u>	
Payroll Taxes Payable	1,489.46
Sales Tax Payable	<u>761.75</u>
Total Liabilities	<u>2,251.21</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>	
Unavailable Revenue	<u>35,870.32</u>
<u>NET POSITION:</u>	
Net Investment in Capital Assets	72,108.00
Unrestricted	<u>389,070.99</u>
Total Net Position	<u><u>461,178.99</u></u>

The accompanying notes are an integral part of these financial statements.

SOUTH MCLEAN COUNTY SOIL CONSERVATION DISTRICT  
Turtle Lake, North Dakota

Statement of Net Position  
December 31, 2020

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash	301,289.05
Accounts Receivable	31,075.53
Intergovernmental Receivables	3,286.56
Taxes Receivable	1,906.30
Due from County Treasurer	34,151.55
Capital Assets (net of accumulated depreciation):	
Buildings	21,534.00
Machinery and Vehicles	<u>74,376.00</u>
Total Capital Assets	<u>95,910.00</u>
Total Assets	<u>467,618.99</u>
<u>LIABILITIES:</u>	
Accounts Payable	447.52
Payroll Taxes Payable	151.17
Sales Tax Payable	<u>819.24</u>
Total Liabilities	<u>1,417.93</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>	
Unavailable Revenue	<u>34,945.67</u>
<u>NET POSITION:</u>	
Net Investment in Capital Assets	95,910.00
Unrestricted	<u>335,345.39</u>
Total Net Position	<u><u>431,255.39</u></u>

The accompanying notes are an integral part of these financial statements.



SOUTH MCLEAN COUNTY SOIL CONSERVATION DISTRICT  
Turtle Lake, North Dakota

Statement of Activities  
For the Year Ended December 31, 2021

				Net (Expense) Revenue and Changes in Net Position
		Program Revenues		
		Charges for	Operating Grants	
	Expenses	Services	and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
Conservation of Natural Resources	364,226.45	190,223.20	73,066.19	(100,937.06)

General Revenues:

Taxes:	
Property taxes; levied for general purposes	119,448.45
Telecommunications tax	104.85
Homestead tax credit	621.34
Disabled veterans tax credit	444.73
State aid - not restricted to specific program	3,815.98
Earnings on investments and other revenue	6,425.31
Total General Revenues	130,860.66
Change in Net Position	29,923.60
Net Position - January 1	431,255.39
Net Position - December 31	461,178.99

The accompanying notes are an integral part of these financial statements.

SOUTH MCLEAN COUNTY SOIL CONSERVATION DISTRICT  
Turtle Lake, North Dakota

Statement of Activities  
For the Year Ended December 31, 2020

		Program Revenues	Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions
			Governmental Activities
<b>Governmental Activities:</b>			
Conservation of Natural Resources	246,628.08	127,669.86	31,068.95
			(87,889.27)
<b>General Revenues:</b>			
Taxes:			
Property taxes; levied for general purposes			114,938.30
Telecommunications tax			104.85
Homestead tax credit			536.70
Disabled veterans tax credit			285.36
State aid - not restricted to specific program			3,202.64
Earnings on investments and other revenue			19,455.77
Total General Revenues			138,523.62
Change in Net Position			50,634.35
Net Position - January 1			380,621.04
Net Position - December 31			431,255.39

The accompanying notes are an integral part of these financial statements.

SOUTH MCLEAN COUNTY SOIL CONSERVATION DISTRICT  
Turtle Lake, North Dakota

Balance Sheet  
Governmental Fund  
December 31, 2021

	<u>Major Fund</u>
	<u>General</u>
<u>ASSETS:</u>	
Cash	368,998.45
Accounts Receivable	3,485.78
Intergovernmental Receivables	24,007.63
Taxes Receivable	1,860.62
Due from County Treasurer	<u>28,840.04</u>
 Total Assets	 <u><u>427,192.52</u></u>
 <u>LIABILITIES, DEFERRED INFLOWS</u>	
<u>OF RESOURCES AND FUND BALANCE</u>	
 <u>Liabilities:</u>	
Payroll Taxes Payable	1,489.46
Sales Tax Payable	<u>761.75</u>
 Total Liabilities	 <u>2,251.21</u>
 <u>Deferred Inflows of Resources:</u>	
Unavailable Revenue	<u>37,730.94</u>
 Total Liabilities and Deferred Inflows of Resources	 <u>39,982.15</u>
 <u>Fund Balance:</u>	
Assigned to:	
Equipment and Operations	20,348.55
Unassigned	<u>366,861.82</u>
 Total Fund Balance	 <u>387,210.37</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balance	 <u><u>427,192.52</u></u>

The accompanying notes are an integral part of these financial statements.



SOUTH MCLEAN COUNTY SOIL CONSERVATION DISTRICT  
Turtle Lake, North Dakota

Balance Sheet  
Governmental Fund  
December 31, 2020

	<u>Major Fund</u>
	<u>General</u>
<u>ASSETS:</u>	
Cash	301,289.05
Accounts Receivable	31,075.53
Intergovernmental Receivables	3,286.56
Taxes Receivable	1,906.30
Due from County Treasurer	<u>34,151.55</u>
 Total Assets	 <u><u>371,708.99</u></u>
 <u>LIABILITIES, DEFERRED INFLOWS</u>	
<u>OF RESOURCES AND FUND BALANCE</u>	
 <u>Liabilities:</u>	
Accounts Payable	447.52
Payroll Taxes Payable	151.17
Sales Tax Payable	<u>819.24</u>
 Total Liabilities	 <u>1,417.93</u>
 <u>Deferred Inflows of Resources:</u>	
Unavailable Revenue	<u>36,851.97</u>
 Total Liabilities and Deferred Inflows of Resources	 <u>38,269.90</u>
 <u>Fund Balance:</u>	
Assigned to:	
Equipment and Operations	20,333.67
Unassigned	<u>313,105.42</u>
 Total Fund Balance	 <u>333,439.09</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balance	 <u><u>371,708.99</u></u>

The accompanying notes are an integral part of these financial statements.

SOUTH MCLEAN COUNTY SOIL CONSERVATION DISTRICT  
Turtle Lake, North Dakota

Reconciliation of Governmental Fund Balance Sheet  
to the Statement of Net Position  
For the Year Ended December 31, 2021

Total Fund Balance for Governmental Fund	387,210.37
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the governmental fund.	
Cost of Capital Assets	343,335.00
Less Accumulated Depreciation	<u>(271,227.00)</u>
Net Capital Assets	72,108.00
Some revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the fund.	
Property Taxes Receivable	<u>1,860.62</u>
Total Net Position of Governmental Activities	<u><u>461,178.99</u></u>

The accompanying notes are an integral part of these financial statements.

SOUTH MCLEAN COUNTY SOIL CONSERVATION DISTRICT  
Turtle Lake, North Dakota

Reconciliation of Governmental Fund Balance Sheet  
to the Statement of Net Position  
For the Year Ended December 31, 2020

Total Fund Balance for Governmental Fund	333,439.09
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the governmental fund.	
Cost of Capital Assets	364,335.00
Less Accumulated Depreciation	<u>(268,425.00)</u>
Net Capital Assets	95,910.00
Some revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the fund.	
Property Taxes Receivable	<u>1,906.30</u>
Total Net Position of Governmental Activities	<u><u>431,255.39</u></u>

The accompanying notes are an integral part of these financial statements.



SOUTH MCLEAN COUNTY SOIL CONSERVATION DISTRICT  
Turtle Lake, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Fund  
For the Year Ended December 31, 2021

	<u>Major Fund</u>
	<u>General</u>
<u>Revenues:</u>	
<u>Taxes</u>	
General Property Taxes	119,494.13
<u>Intergovernmental</u>	
319 Program Grant	46,797.41
NDSU Extension Office (DART Grant)	11,287.50
State Aid	3,815.98
Homestead Tax Credit	621.34
Disabled Veterans Tax Credit	444.73
Telecommunications Tax	104.85
Total Intergovernmental	63,071.81
<u>Charges for Services</u>	
Tree Planting	41,096.32
Weed Barrier Installation	76,517.45
NO-till Drill and Seeding	15,682.00
Custom Hire - Shredder	2,700.00
Custom Hire - Other Charges	2,586.00
Total Charges for Services	138,581.77
<u>Miscellaneous</u>	
Interest	141.24
Building Rent - NRCS	14,981.28
Sale of Trees, Plants and Materials	51,641.43
Sale of Assets	1,500.00
Other	4,784.07
Total Miscellaneous	73,048.02
Total Revenues	394,195.73

(continued)

SOUTH MCLEAN COUNTY SOIL CONSERVATION DISTRICT  
Turtle Lake, North Dakota

Statement of Revenues, Expenditures and Changes  
in Fund Balance - Governmental Fund  
For the Year Ended December 31, 2021  
(continued)

	<u>Major Fund</u>
	<u>General</u>
<u>Expenditures:</u>	
<u>Current:</u>	
Payroll and Fringe Benefits	144,704.12
Supervisor and Meeting Expenses	6,745.09
Advertising	1,990.26
Dues and Subscriptions	2,016.00
Conservation Education	7,103.43
Fuel and Oil	5,390.88
Insurance	4,145.00
Office Expenses	6,831.15
Supplies	1,149.65
Postage and Shipping	2,155.03
Repairs and Maintenance	6,241.47
Tools and Equipment	2,434.62
Training/Conferences	60.00
Utilities	6,381.08
Watershed - Better Management Practices	38,043.96
Workforce Safety Insurance	1,036.80
Other	2,045.03
Cost of Goods Sold	<u>101,950.88</u>
Total Expenditures	<u>340,424.45</u>
Net Change in Fund Balance	<u>53,771.28</u>
Fund Balance - January 1	<u>333,439.09</u>
Fund Balance - December 31	<u><u>387,210.37</u></u>

The accompanying notes are an integral part of these financial statements.

SOUTH MCLEAN COUNTY SOIL CONSERVATION DISTRICT  
Turtle Lake, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Fund  
For the Year Ended December 31, 2020

	<u>Major Fund</u>
	<u>General</u>
<u>Revenues:</u>	
<u>Taxes</u>	
General Property Taxes	114,774.24
<u>Intergovernmental</u>	
319 Program Grant	5,337.67
NDSU Extension Office (DART Grant)	10,750.00
State Aid	3,202.64
Homestead Tax Credit	536.70
Disabled Veterans Tax Credit	285.36
Telecommunications Tax	104.85
Total Intergovernmental	20,217.22
<u>Charges for Services</u>	
Tree Planting	24,263.68
Weed Barrier Installation	48,386.31
NO-till Drill and Seeding	24,818.40
Custom Hire - Other Charges	1,634.96
Total Charges for Services	99,103.35
<u>Miscellaneous</u>	
Interest	337.91
Building Rent - NRCS	14,981.28
Sale of Trees, Plants and Materials	28,566.51
Sponsorships	2,300.00
Other	16,817.86
Total Miscellaneous	63,003.56
Total Revenues	297,098.37

(continued)



SOUTH MCLEAN COUNTY SOIL CONSERVATION DISTRICT  
Turtle Lake, North Dakota

Statement of Revenues, Expenditures and Changes  
in Fund Balance - Governmental Fund  
For the Year Ended December 31, 2020  
(continued)

	<u>Major Fund</u>
	<u>General</u>
<u>Expenditures:</u>	
<u>Current:</u>	
Payroll and Fringe Benefits	124,984.74
Supervisor and Meeting Expenses	3,867.45
Advertising	4,698.88
Dues and Subscriptions	1,548.35
Conservation Education	930.00
Fuel and Oil	3,626.74
Insurance	3,756.00
Professional Fees	6,137.80
Office Expenses	5,763.65
Supplies	144.86
Postage and Shipping	471.65
Repairs and Maintenance	7,675.38
Tools and Equipment	253.88
Training/Conferences	150.00
Utilities	6,122.40
Workforce Safety Insurance	1,052.95
Other	24.58
Cost of Goods Sold	<u>51,464.77</u>
Total Expenditures	<u>222,674.08</u>
Net Change in Fund Balance	<u>74,424.29</u>
Fund Balance - January 1	<u>259,014.80</u>
Fund Balance - December 31	<u><u>333,439.09</u></u>

The accompanying notes are an integral part of these financial statements.

SOUTH MCLEAN COUNTY SOIL CONSERVATION DISTRICT  
Turtle Lake, North Dakota

Reconciliation of Governmental Fund Statement of Revenues, Expenditures  
and Changes in Fund Balance to the Statement of Activities  
For the Year Ended December 31, 2021

Net Change in Fund Balance - Total Governmental Fund	53,771.28
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The change in net position reported for governmental activities in the statement of activities is different because:

The governmental fund reports 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. This is the amount by which depreciation exceeded capital outlay in the current year.

Current Year Capital Outlay		-
Current Year Depreciation Expense	<u>(23,802.00)</u>	(23,802.00)

Some revenues reported on the statement of activities are not reported as revenues in the governmental fund since they do not represent available resources to pay current expenditures.

Net decrease in Taxes Receivable	<u>(45.68)</u>
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Change in Net Position of Governmental Activities	<u><u>29,923.60</u></u>
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The accompanying notes are an integral part of these financial statements.

SOUTH MCLEAN COUNTY SOIL CONSERVATION DISTRICT  
Turtle Lake, North Dakota

Reconciliation of Governmental Fund Statement of Revenues, Expenditures  
and Changes in Fund Balance to the Statement of Activities  
For the Year Ended December 31, 2020

Net Change in Fund Balance - Total Governmental Fund		74,424.29
The change in net position reported for governmental activities in the statement of activities is different because:		
The governmental fund reports 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. This is the amount by which depreciation exceeded capital outlay in the current year.		
Current Year Capital Outlay	-	
Current Year Depreciation Expense	<u>(23,954.00)</u>	(23,954.00)
Some revenues reported on the statement of activities are not reported as revenues in the governmental fund since they do not represent available resources to pay current expenditures.		
Net increase in Taxes Receivable		<u>164.06</u>
Change in Net Position of Governmental Activities		<u>50,634.35</u>

The accompanying notes are an integral part of these financial statements.



SOUTH MCLEAN COUNTY SOIL CONSERVATION DISTRICT  
Turtle Lake, North Dakota

Notes to the Financial Statements  
December 31, 2021 and 2020

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the South McLean County Soil Conservation District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The accompanying financial statements present the activities of the 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 Government Accounting Standards Board 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 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 South McLean County Soil Conservation District as a reporting entity.

B. Basis of Presentation

*Government-wide Financial Statements:* The statement of net position and the statement of activities display information about the primary government, South McLean County 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 nonexchange 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 all taxes, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the soil conservation district's fund. The emphasis of fund financial statements is on the major governmental fund.



The soil conservation district reports the following major governmental fund:

*General Fund.* This is the soil conservation district's primary operating fund. It accounts for all financial resources of the general government.

#### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

*Government-wide Financial Statements:* The government-wide financial statements are reported using the economic resources measurement focus. These financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the soil conservation district gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements:* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The soil conservation district considers all revenues reported in the governmental fund to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the governmental fund. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the soil conservation district funds certain programs by a combination of specific cost-reimbursements grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted components of net position available to finance the program. It is the soil conservation district's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

#### D. Cash

Cash includes amounts in demand deposits and money market accounts.

#### E. Capital Assets

Capital assets include vehicles and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the soil conservation district as assets with an initial individual cost of \$2,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. 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 projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

Buildings	40 years
Machinery and Vehicles	5 to 10 Years



#### F. Compensated Absences

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Vested or accumulated vacation leave is not reported in the government-wide statement of net position as it is considered immaterial.

#### G. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

#### H. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

**Fund Balance** – Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the soil conservation district is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

**Nonspendable** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash such as inventories or prepaid expenses) or (b) legally or contractually required to be maintained intact (i.e., endowment funds).

**Restricted** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the soil conservation district or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments (i.e., funds restricted by state statute, unspent bond proceeds, grants earned but not spent, debt covenants or taxes raised for a specific purpose).

**Committed** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the governing board through the adoption of a resolution. The governing board also may modify or rescind the commitment.

**Assigned** – Fund balances are reported as assigned when amounts are constrained by the soil conservation district's intent to be used for specific purposes, but are neither restricted nor committed.

**Unassigned** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The soil conservation district reports positive unassigned fund balance only in the general fund. Negative fund balances may be reported in all funds.



**Flow Assumptions** – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the soil conservation district's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the soil conservation district's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

**Net Position** – Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the soil conservation district has not spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

#### I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

#### Note 2 DEPOSITS AND INVESTMENTS

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

Authorized collateral includes bills, notes or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district or any 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 other securities approved by the banking board.

At December 31, 2021 the soil conservation district's carrying amount of deposits was \$368,998 and the bank balance was \$369,205. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining deposits of \$119,205 are considered unsecured.

At December 31, 2020 the soil conservation district's carrying amount of deposits was \$301,289 and the bank balance was \$302,045. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining deposits of \$52,045 are considered unsecured.



### Credit Risk

The soil conservation district may invest idle funds as authorized in North Dakota Statutes, as follows:

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

### Concentration of Credit Risk

The soil conservation district does not have a limit on the amount the soil conservation district may invest in any one issuer.

#### Note 3 ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts owed by individuals for the sale of grass seeds, plants and materials and for services performed by the soil conservation district due at December 31, 2021 and 2020. No allowance has been established for uncollectible accounts.

#### Note 4 INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables consist of reimbursements due from the NDSU Extension Office for expenses related to the DART Grant and from the North Dakota Department of Health for expenses related to the Painted Woods Creek Watershed Project.

#### Note 5 TAXES RECEIVABLE

Taxes receivable represents the past two years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes receivable.

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material tax collections are distributed after the end of each month.

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments and the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the discount on the property taxes.

Note 6 DUE FROM COUNTY TREASURER

The amount due from county treasurer consists of the cash on hand for taxes collected but not remitted to the soil conservation district at December 31.

Note 7 CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended:

	<u>December 31, 2021</u>			<u>Balance December 31</u>
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	
<b>Governmental Activities:</b>				
Buildings	91,500			91,500
Machinery and Vehicles	272,835			272,835
Total	364,335	-	-	364,335
<i>Less accumulated depreciation for:</i>				
Buildings	69,966	1,988		71,954
Machinery and Vehicles	198,459	21,814		220,273
Total	268,425	23,802	-	292,227
Governmental Activities Capital Assets, Net	95,910	(23,802)	-	72,108

  

	<u>December 31, 2020</u>			<u>Balance December 31</u>
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	
<b>Governmental Activities:</b>				
Buildings	91,500			91,500
Machinery and Vehicles	272,835			272,835
Total	364,335	-	-	364,335
<i>Less accumulated depreciation for:</i>				
Buildings	67,978	1,988		69,966
Machinery and Vehicles	176,493	21,966		198,459
Total	244,471	23,954	-	268,425
Governmental Activities Capital Assets, Net	119,864	(23,954)	-	95,910

Depreciation expense was charged to functions/programs of the soil conservation district as follows:

	<u>12-31-21</u>	<u>12-31-20</u>
Conservation of Natural Resources	<u>23,802</u>	<u>23,954</u>



**Note 8** ACCOUNTS PAYABLE

Accounts payable consist of amounts owed for goods and services provided prior to December 31, 2020, but paid for subsequent to that date.

**Note 9** PAYROLL TAXES PAYABLE

Payroll taxes payable consists of moneys withheld from employees' paychecks and payable at December 31, 2021 and 2020.

**Note 10** SALES TAX PAYABLE

Sales tax payable consists of taxes collected on sales during 2021 and 2020 but remitted to the State of North Dakota subsequent to December 31, 2021 and 2020, respectively.

**Note 11** UNAVAILABLE REVENUE

Unavailable revenue on the fund financial statements consists of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available and include taxes receivable, prepaid property taxes and down payments.

Unavailable revenue on the government-wide financial statement consists of prepaid property taxes and down payments.

**Note 12** RISK MANAGEMENT

The South McLean County Soil Conservation District is exposed to various risks of loss relating 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 automobile insurance coverage. The coverage by NDIRF is limited to losses of \$1,000,000 per occurrence for general liability and automobile; and \$200,350 for public assets.

The 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 \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the soil conservation district with a blanket fidelity bond coverage in the amount of \$150,208 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The soil conservation district has worker's compensation with the Department of Workforce Safety and Insurance.

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

Note 13 TAX ABATEMENTS

The soil conservation district has no tax abatements for the years ended December 31, 2021 and 2020.



SOUTH MCLEAN COUNTY SOIL CONSERVATION DISTRICT  
Turtle Lake, North Dakota

Budgetary Comparison Schedule  
For the Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
<u>Taxes</u>			
General Property Taxes	123,152.38	119,494.13	(3,658.25)
<u>Intergovernmental</u>			
319 Program Grant		46,797.41	46,797.41
NDSU Extension Office (DART Grant)		11,287.50	11,287.50
State Aid		3,815.98	3,815.98
Homestead Tax Credit		621.34	621.34
Disabled Veterans Tax Credit		444.73	444.73
Telecommunications Tax		104.85	104.85
Total Intergovernmental	-	63,071.81	63,071.81
<u>Charges for Services</u>			
Tree Planting	28,172.00	41,096.32	12,924.32
Weed Barrier Installation	52,454.00	76,517.45	24,063.45
No-till Drill and Seeding	10,750.00	15,682.00	4,932.00
Custom Hire - Shredder	1,851.00	2,700.00	849.00
Custom Hire - Other Charges	1,773.00	2,586.00	813.00
Total Charges for Services	95,000.00	138,581.77	43,581.77
<u>Miscellaneous</u>			
Interest	1,900.00	141.24	(1,758.76)
Building Rent - NRCS	14,981.28	14,981.28	-
Sale of Trees, Plants and Materials	18,548.00	51,641.43	33,093.43
Sale of Assets		1,500.00	1,500.00
Other	12,490.00	4,784.07	(7,705.93)
Total Miscellaneous	47,919.28	73,048.02	25,128.74
Total Revenues	266,071.66	394,195.73	128,124.07

(continued)

SOUTH MCLEAN COUNTY SOIL CONSERVATION DISTRICT  
Turtle Lake, North Dakota

Statement of Revenues, Expenditures and Changes  
in Fund Balance - Governmental Fund  
For the Year Ended December 31, 2021  
(continued)

	Original and Final Budget	Actual	Variance with Final Budget
<u>Expenditures:</u>			
<u>Current:</u>			
Payroll and Fringe Benefits	130,000.00	144,704.12	(14,704.12)
Supervisor and Meeting Expenses	8,000.00	6,745.09	1,254.91
Advertising	5,000.00	1,990.26	3,009.74
Dues and Subscriptions	1,800.00	2,016.00	(216.00)
Conservation Education	10,000.00	7,103.43	2,896.57
Fuel and Oil	6,000.00	5,390.88	609.12
Insurance	4,200.00	4,145.00	55.00
Professional Fees	5,300.00		5,300.00
Office Expenses	5,000.00	6,831.15	(1,831.15)
Supplies	1,000.00	1,149.65	(149.65)
Postage and Shipping	600.00	2,155.03	(1,555.03)
Repairs and Maintenance	14,000.00	6,241.47	7,758.53
Tools and Equipment		2,434.62	(2,434.62)
Training/Conferences	2,000.00	60.00	1,940.00
Utilities	6,200.00	6,381.08	(181.08)
Watershed - Better Management Practices		38,043.96	(38,043.96)
Workforce Safety Insurance		1,036.80	(1,036.80)
Other	4,020.00	2,045.03	1,974.97
Cost of Goods Sold	47,808.00	101,950.88	(54,142.88)
Capital Outlay	16,000.00		16,000.00
Total Expenditures	266,928.00	340,424.45	(73,496.45)
Net Change in Fund Balance	(856.34)	53,771.28	54,627.62
Fund Balance - January 1	333,439.09	333,439.09	
Fund Balance - December 31	332,582.75	387,210.37	54,627.62

SOUTH MCLEAN COUNTY SOIL CONSERVATION DISTRICT  
Turtle Lake, North Dakota

Budgetary Comparison Schedule  
For the Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
<u>Taxes</u>			
General Property Taxes	119,687.64	114,774.24	(4,913.40)
<u>Intergovernmental</u>			
319 Program Grant		5,337.67	5,337.67
NDSU Extension Office (DART Grant)		10,750.00	10,750.00
State Aid		3,202.64	3,202.64
Homestead Tax Credit		536.70	536.70
Disabled Veterans Tax Credit		285.36	285.36
Telecommunications Tax		104.85	104.85
Total Intergovernmental	-	20,217.22	20,217.22
<u>Charges for Services</u>			
Tree Planting	25,000.00	24,263.68	(736.32)
Weed Barrier Installation	48,000.00	48,386.31	386.31
No-till Drill and Seeding	25,000.00	24,818.40	(181.60)
Custom Hire - Other Charges	2,000.00	1,634.96	(365.04)
Total Charges for Services	100,000.00	99,103.35	(896.65)
<u>Miscellaneous</u>			
Interest	200.00	337.91	137.91
Building Rent - NRCS	14,981.28	14,981.28	-
Sale of Trees, Plants and Materials	65,000.00	28,566.51	(36,433.49)
Sponsorships	1,300.00	2,300.00	1,000.00
Other	12,500.00	16,817.86	4,317.86
Total Miscellaneous	93,981.28	63,003.56	(30,977.72)
Total Revenues	313,668.92	297,098.37	(16,570.55)

(continued)

SOUTH MCLEAN COUNTY SOIL CONSERVATION DISTRICT  
Turtle Lake, North Dakota

Statement of Revenues, Expenditures and Changes  
in Fund Balance - Governmental Fund  
For the Year Ended December 31, 2020  
(continued)

	Original and Final Budget	Actual	Variance with Final Budget
<u>Expenditures:</u>			
<u>Current:</u>			
Payroll and Fringe Benefits	160,000.00	124,984.74	35,015.26
Supervisor and Meeting Expenses	3,800.00	3,867.45	(67.45)
Advertising	2,500.00	4,698.88	(2,198.88)
Dues and Subscriptions	2,100.00	1,548.35	551.65
Conservation Education	10,000.00	930.00	9,070.00
Fuel and Oil	6,000.00	3,626.74	2,373.26
Insurance	3,053.00	3,756.00	(703.00)
Professional Fees	3,000.00	6,137.80	(3,137.80)
Office Expenses	6,000.00	5,763.65	236.35
Supplies		144.86	(144.86)
Postage and Shipping	600.00	471.65	128.35
Repairs and Maintenance	6,500.00	7,675.38	(1,175.38)
Tools and Equipment	200.00	253.88	(53.88)
Training/Conferences	200.00	150.00	50.00
Utilities	5,900.00	6,122.40	(222.40)
Workforce Safety Insurance		1,052.95	(1,052.95)
Other	50.00	24.58	25.42
Cost of Goods Sold	60,000.00	51,464.77	8,535.23
Capital Outlay	41,000.00		41,000.00
Total Expenditures	310,903.00	222,674.08	88,228.92
Net Change in Fund Balance	2,765.92	74,424.29	71,658.37
Fund Balance - January 1	259,014.80	259,014.80	
Fund Balance - December 31	261,780.72	333,439.09	71,658.37



SOUTH MCLEAN COUNTY SOIL CONSERVATION DISTRICT  
Turtle Lake, North Dakota

Notes to the Budgetary Comparison Schedule  
December 31, 2021 and 2020

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

The Clerk/District Manager prepares an annual budget. The district budget is prepared for the general fund by function and activity on the modified accrual basis of accounting. The budget includes proposed expenditures and the means of financing them. The governing board reviews the preliminary budget, may make revisions and approves it; and submits it to the County Auditor prior to July 1.

The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10. At year-end, the balance of each appropriation becomes a part of the unappropriated fund balance.

Note 2 LEGAL COMPLIANCE

The governing board did not amend the soil conservation district's budgets during the years ended December 31, 2021 and 2020.

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the general fund by \$73,496.45 for the year ending December 31, 2021. No remedial action is anticipated or required by the soil conservation district regarding these excess expenditures.

# Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA  
Bryce Fischer, CPA  
Todd Goehring, CPA

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## 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

### INDEPENDENT AUDITOR'S REPORT

Governing Board  
South McLean County Soil Conservation District  
Turtle Lake, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the South McLean County Soil Conservation District, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the soil conservation district's basic financial statements, and have issued our report thereon dated May 12, 2023.

#### **Report on Internal Control Over Financial Reporting**

In planning and performing our audits of the financial statements, we considered the soil conservation district's internal control over financial reporting (internal control) as a basis for designing 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 the soil conservation district's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the soil conservation district's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain



deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001, 2021-002 and 2021-003 that we consider to be significant deficiencies.

#### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the soil conservation district's financial statements are free of 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 financial statements. 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*.

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

*Government Auditing Standards* require the auditor to perform limited procedures on the soil conservation district's response to the findings identified in our audits and described in the accompanying *Schedule of Findings and Responses*. The soil conservation district's response was not subjected to the auditing procedures applied in the audits 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 soil conservation district's internal control or on compliance. This is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the soil conservation district's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rath and Mehrer, P.C.

Bismarck, North Dakota

May 12, 2023

SOUTH MCLEAN COUNTY SOIL CONSERVATION DISTRICT  
Turtle Lake, North Dakota

Schedule of Findings and Responses  
For the Years Ended December 31, 2021 and 2020

**SECTION I – SUMMARY OF AUDIT RESULTS:**

Financial Statements

Type of Auditor's Report Issued:

Governmental Activities

Unmodified

Major Governmental Fund

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes        X   No
- Significant deficiency(ies) identified? \_\_\_\_\_   X   Yes      \_\_\_\_\_ None Reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes        X   No

**SECTION II – FINANCIAL STATEMENT FINDINGS:**

Significant Deficiencies

1. 2021-001 – Segregation of Duties

*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.

*Condition:* The soil conservation district has one person responsible for most accounting functions. The employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger and prepare bank reconciliations.

*Cause:* The soil conservation district does not have a large enough staff to properly segregate all duties.

*Effect:* A lack of segregation of duties leads to a limited degree of internal control.

*Recommendation:* We recommend that management and the governing board be aware of the lack of segregation of duties and implement controls whenever possible to mitigate this risk.

*Views of Responsible Officials:* The soil conservation district is aware of the condition and segregates duties whenever possible.



2. 2021-002- Financial Statement Preparation

*Criteria:* A good system of internal controls requires the soil conservation district to determine that the financial statements are prepared based on accounting principles generally accepted in the United States of America. This means that the soil conservation district must maintain knowledge of current accounting principles and required financial statement disclosures.

*Condition:* The soil conservation district's financial statements, including the accompanying note disclosures, are prepared by the soil conservation district's external auditors.

*Cause:* The soil conservation district feels that it is more cost effective to have their external auditors prepare the complete financial statements and disclosures, rather than 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; and review and approve them prior to distribution.

*Views of Responsible Officials:* The soil conservation district will continue to have the external auditors prepare the financial statements, including note disclosures, but will review and approve them prior to external distribution.

3. 2021-003- Pledge of Securities

*Criteria:* North Dakota Century Code #21-04-09 requires a security in the amount of one hundred ten dollars for every one hundred dollars of public deposits in excess of FDIC/NCUA insurance.

*Condition:* Deposits in excess of FDIC insurance coverage were not covered by a pledge of securities with the Tru Community Bank.

*Cause:* The district manager was aware the balance of accounts exceeded \$250,000 at Tru Community Bank but had not considered the necessity of obtaining a pledge of securities to cover funds in excess of FDIC insurance.

*Effect:* The district had unsecured deposits with the Tru Community Bank.

*Recommendation:* We recommend that management establish a policy to monitor the pledge of securities at the Tru Community Bank.

*Views of Responsible Officials:* The district manager has contacted the Tru Community Bank and has filed the necessary paperwork to obtain pledge of securities in excess of FDIC insurance.