

**STARK AND BILLINGS SOIL CONSERVATION DISTRICT
DICKINSON, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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STARK AND BILLINGS SOIL CONSERVATION DISTRICT
DICKINSON, NORTH DAKOTA
DECEMBER 31, 2021

OFFICIALS

Robert Wock	Supervisor / President
Ron Obritsch	Supervisor / Vice President
Norris Marx	Supervisor
Dean Baar	Supervisor
Chad Brusseau	Supervisor
Bonnie Twogood	Secretary / Treasurer

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Stark and Billings Soil Conservation District
Dickinson, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities and general fund of Stark and Billings Soil Conservation District, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and general fund of Stark and Billings Soil Conservation District, as of December 31, 2021, and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Stark and Billings Soil Conservation District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the

preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 generally accepted auditing standards 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 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 generally accepted auditing standards and *Government Auditing Standards*, 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 Stark and Billings 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 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the listing of officials and budgetary comparison information but does not include the basic financial statements and our auditor's report thereon. Our opinions on the

basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2022, on our consideration of the Stark and Billings 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 Stark and Billings 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 District's internal control over financial reporting and compliance.



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

October 9, 2022

STARK AND BILLINGS SOIL CONSERVATION DISTRICT
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2021

ASSETS

Cash	\$ 554,432
Investments	240,000
Capital assets (net of accumulated depreciation)	<u>247,245</u>

Total assets	<u><u>\$ 1,041,677</u></u>
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NET POSITION

Net investment in capital assets	\$ 247,245
Unrestricted	<u>794,432</u>

Total net position	<u><u>\$ 1,041,677</u></u>
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See Notes to the Financial Statements

STARK AND BILLINGS SOIL CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
		Services	Grants and	Changes in
			Contributions	Net Position
				Governmental
				Activities
<u>Governmental activities:</u>				
Conservation of natural resources	\$ 454,082	\$ 250,545	\$ 6,583	\$ (196,954)
Total governmental activities	<u>\$ 454,082</u>	<u>\$ 250,545</u>	<u>\$ 6,583</u>	(196,954)
<u>General revenues:</u>				
Taxes:				
Property taxes				220,753
Earnings on investments				1,398
Gain on sale of equipment				34,030
Miscellaneous revenue				<u>6,478</u>
Total general revenues				<u>262,659</u>
Change in net position				<u>65,705</u>
Net position - January 1				<u>975,972</u>
Net position - December 31				<u>\$ 1,041,677</u>

See Notes to the Financial Statements

STARK AND BILLINGS SOIL CONSERVATION DISTRICT
BALANCE SHEET - MODIFIED CASH BASIS - GOVERNMENTAL FUND
DECEMBER 31, 2021

	<u>General Fund</u>
ASSETS	
Cash	\$ 554,432
Investments	<u>240,000</u>
Total assets	<u><u>\$ 794,432</u></u>
 FUND BALANCE	
Unassigned	<u>\$ 794,432</u>
Total fund balance	<u><u>\$ 794,432</u></u>
 Reconciliation of the Balance Sheet to the Statement of Net Position December 31, 2021	
Total fund balance	\$ 794,432
Capital assets	<u>247,245</u>
Net position of governmental activities	<u><u>\$ 1,041,677</u></u>

See Notes to the Financial Statements

STARK AND BILLINGS SOIL CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
MODIFIED CASH BASIS - GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>General Fund</u>
<u>Revenue:</u>	
Taxes	\$ 220,753
Intergovernmental	6,583
Proceeds from sale of equipment	34,030
Charges for services	250,545
Interest	1,398
Miscellaneous	6,478
	<hr/>
Total revenues	519,787
	<hr/>
<u>Expenditures:</u>	
Current	
Conservation of natural resources:	
Cost of goods sold	115,975
Conservation education	2,728
Dues and subscriptions	1,365
Insurance	4,412
Professional fees	6,100
Office supplies	15,253
Payroll	249,175
Fuel and oil	3,640
Repairs and maintenance	18,051
Website	4,649
Advertising	533
Utilities	3,639
Donations	1,000
Travel	248
Miscellaneous	826
Capital outlay	121,803
	<hr/>
Total expenditures	549,397
	<hr/>
Revenues over expenditures	(29,610)
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Fund balance - January 1	824,042
	<hr/>
Fund balance - December 31	\$ 794,432
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**Reconciliation of Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Fund to the Statement of Activities
For the Year Ended December 31, 2021**

Net changes in fund balance	\$ (29,610)
Purchase of capital assets	121,803
Depreciation expense on capital assets	(26,488)
	<hr/>
Change in net position of governmental activities	\$ 65,705
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See Notes to the Financial Statements

STARK AND BILLINGS SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Stark and Billings Soil Conservation District (District), operates 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 and financial reporting principles. The more significant of the government's accounting policies are described below.

Financial Reporting Entity

The accompanying modified cash basis financial statements present the activities of the Stark and Billings Soil Conservation 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. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the 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 District.

Based on these criteria, there are no component units of the Stark and Billings Soil Conservation District.

Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds.

STARK AND BILLINGS SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

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.

Measurement Focus / Basis of Accounting

Government-wide Financial Statements: The government-wide financial statements are reported using the economic resources measurement focus, within the limitations of the modified cash basis of accounting. The modified cash basis of accounting recognizes assets, net position, revenues and expenditures / expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. In accordance with the modified cash basis of accounting, the District reports capital assets and debt. Payments for payroll benefit liabilities are reported in the year that they are incurred and budgeted. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified cash basis of accounting. 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 services billed or provided but not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the government-wide statements would be prepared on the accrual basis of accounting and the governmental fund financial statements would be prepared on the modified accrual basis of accounting.

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

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

Cash

Cash includes amounts in demand deposits and money market accounts.

Investments

Investments consists entirely of certificates of deposit.

STARK AND BILLINGS SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

Capital Assets

Capital assets include building and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. All major capital assets over \$5,000 are capitalized. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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 and estimated useful life of five years for equipment and fifteen to twenty years for buildings.

Fund Balance Classifications

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Board of Supervisors-the District's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Supervisors removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification reflects the amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board of Supervisors has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

STARK AND BILLINGS SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

When both restricted and unrestricted resources are available for use, the District's preference is to first use restricted resources, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

The District does not have a minimum fund balance policy.

Net Position

Net position represents the difference between assets plus deferred outflow of resources and liabilities plus deferred inflow of resources. Net investment in capital assets, consists of the remaining un-depreciated cost of the asset less the outstanding debt associated with the purchase or construction of the related asset.

Net position is reported as restricted when external creditors, grantors, or other governmental organizations imposed specific restrictions on the District. External restrictions may be imposed through state or local laws, and grant or contract provisions.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 DEPOSITS

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 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 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.

The District maintains cash on deposit at a financial institution. The amounts on deposit were insured by the FDIC up to \$250,000. At December 31, 2021, the District's carrying amount of deposits was \$794,432, and the bank balance was \$798,036, of which all deposits were covered by FDIC and securities pledged in the District's name.

STARK AND BILLINGS SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

Credit Risk:

The District may invest idle funds as authorized in North Dakota Statutes, as follows:

- (a) 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.
- (b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- (c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.

Concentration of Credit Risk:

The District does not have a limit on the amount the District may invest in any one issuer. The District does not have an investment policy that specifically addresses credit risk.

NOTE 3 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2021:

	1/1/21 Balance	Additions	Decreases	12/31/21 Balance
Governmental activities				
Capital assets, being depreciated				
Building	\$ 181,955	\$ -	\$ -	\$ 181,955
Building improvements	39,843	-	-	39,843
Equipment	172,850	121,803	(40,000)	254,653
Total capital assets, being depreciated	<u>394,648</u>	<u>121,803</u>	<u>(40,000)</u>	<u>476,451</u>
Less accumulated depreciation for:				
Building	(86,996)	(9,098)	-	(96,094)
Building improvements	(2,820)	(2,656)	-	(5,476)
Equipment	(152,903)	(14,733)	40,000	(127,636)
Total accumulated depreciation	<u>(242,719)</u>	<u>(26,487)</u>	<u>40,000</u>	<u>(229,206)</u>
Governmental activities capital assets, net	<u>\$ 151,929</u>	<u>\$ 95,316</u>	<u>\$ -</u>	<u>\$ 247,245</u>

Depreciation expense of \$26,487 was charged to conservation of natural resources.

STARK AND BILLINGS SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

NOTE 4 PROPERTY TAXES

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 on property taxes 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 received the discount on the property taxes.

NOTE 5 NORTH DAKOTA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020, the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity.

STARK AND BILLINGS SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020, member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

STARK AND BILLINGS SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

For the year ended December 31, 2021, the District's required annual contribution to NDPERS was \$11,143.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

NOTE 6 NDPERS OTHER POST EMPLOYMENT BENEFITS

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019, the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS,

STARK AND BILLINGS SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019, the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

For the year ended December 31, 2021, the District's required annual contribution to NDPERS OPEB was \$1,948.

NOTE 7 RISK MANAGEMENT

The District is exposed to various risk 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 District pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability.

The 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 two million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides the District with blanket fidelity bond coverage in the amount of \$293,945 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The District has workers compensation with the North Dakota Workforce, Safety and Insurance. The District will pay the equivalent of a single person for the coverage of medical, dental and vision insurance. The employee is responsible for the difference if family coverage is needed.

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

NOTE 8 SUBSEQUENT EVENTS

In April of 2023, the District purchased a new building for \$750,000. In relation to the purchase of the building, the District borrowed \$350,000 from the Bank of North Dakota. In August 2023, the District sold their tree building for \$330,000. The District also signed a construction contract

STARK AND BILLINGS SOIL CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

in September 2023 for the purchase of a storage building for \$198,800 to be completed by December 2023.

Subsequent events have been evaluated through October 9, 2022, which is the date these financial statements were available to be issued.

STARK AND BILLINGS SOIL CONSERVATION DISTRICT
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Original & Final Budget	Actual	Variance with Budget
<u>Revenue:</u>			
Taxes	\$ 212,389	\$ 220,753	\$ 8,364
Intergovernmental	6,582	6,583	1
Charges for services	190,824	250,545	59,721
Reimbursements	600	-	(600)
Gain and loss on sale of equipment	-	34,030	34,030
Interest	2,100	1,398	(702)
Miscellaneous	4,900	6,478	1,578
Total revenues	<u>417,395</u>	<u>519,787</u>	<u>102,392</u>
<u>Expenditures:</u>			
Current			
Conservation of natural resources:			
Cost of goods sold	91,000	115,975	(24,975)
Conservation education	8,850	2,728	6,122
Dues and subscriptions	1,400	1,365	35
Insurance	5,850	4,412	1,438
Professional fees	5,760	6,100	(340)
Office supplies	17,310	15,253	2,057
Payroll	226,650	249,175	(22,525)
Fuel and oil	2,830	3,640	(810)
Repairs and maintenance	11,980	18,051	(6,071)
Website	1,100	4,649	(3,549)
Advertising	1,050	533	517
Utilities	2,870	3,639	(769)
Donations	1,250	1,000	250
Travel	75	248	(173)
Miscellaneous	1,300	826	474
Capital outlay	-	121,803	(121,803)
Total expenditures	<u>379,275</u>	<u>549,397</u>	<u>(170,122)</u>
Revenues over expenditures	<u>\$ 38,120</u>	(29,610)	<u>\$ (67,730)</u>
Fund balance - January 1		<u>824,042</u>	
Fund balance - December 31		<u>\$ 794,432</u>	

See Notes to Supplementary Information

STARK AND BILLINGS SOIL CONSERVATION DISTRICT
NOTES TO THE SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

- The District adopts an “appropriated budget” on the basis consistent with accounting principles generally accepted in the United States, as applied under the modified cash basis of accounting for its general fund.
- The budget includes proposed expenditures and means of financing them.
- The District, on or before the October meeting shall determine the amount of taxes that shall be levied for each county and shall levy all such taxes in specific amounts. (NDCC 11-23-05)
- Each budget is controlled by the secretary / treasurer at the revenue and expenditure function / object level.
- The current budget, except property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared. (NDCC 57-15-31.1)

NOTE 2 EXCESS OF ACTUAL EXPENDITURES OVER BUDGET

Expenditures exceeded budget in the General Fund by \$170,122 during the year ended December 31, 2021. No remedial action is anticipated or required by the District regarding these excess expenditures.

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

To the Board of Supervisors
Stark and Billings Soil Conservation District
Dickinson, 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 Stark and Billings Soil Conservation District, as of and for the year ended December 31, 2021, and the related notes to the modified cash financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 9, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the modified cash basis financial statements, we considered the Stark and Billings 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

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. We consider the deficiencies described as 2021-001 and 2021-002 in the accompanying schedule of findings and responses to be material weaknesses.

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. We consider the deficiency described as 2021-003 in the accompany schedule of findings and responses to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Stark and Billings Soil Conservation District's modified cash basis 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Stark and Billings Soil Conservation District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

October 9, 2022

STARK AND BILLINGS SOIL CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2021

2021-001: Material Weakness – Preparation of Financial Statements

Criteria

An appropriate system of internal control requires the entity to prepare financial statements in compliance with accounting principles generally accepted in the United States of America, as applied under the modified cash basis of accounting.

Condition

The District's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the District currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The District has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause

The District elected to not allocate resources for the preparation of the financial statements.

Effect

There is an increased risk of material misstatement to the District's financial statements.

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

Due to the financial, efficiency and time constraints, it has been determined by Stark and Billings Soil Conservation District's management that it is in the best interest of Stark and Billings Soil Conservation District and all interested parties to have the footnotes to the financial statements prepared by the auditing firm at the time of the audit.

STARK AND BILLINGS SOIL CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
DECEMBER 31, 2021

2021-002 Material Weakness – Proposition of Journal Entries

Criteria

The District is required to maintain internal controls at a level where support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with the modified cash basis of accounting.

Condition

During our audit, a material adjusting journal entry was proposed to record capital assets in accordance with the modified cash basis of accounting.

Cause

The District's internal controls have not been designed to address the specific training needs that are required to maintain the general ledger accounts on the modified cash basis of accounting.

Effect

An appropriate system of internal controls is not present to make a determination that the general ledger accounts are properly adjusted in compliance with the modified cash basis of accounting prior to the audit.

Recommendation

Accounting personnel will need to determine the proper balance in each general ledger account prior to audit. We recommend that the entity reviews its current training system to determine if it is cost effective for the entity to obtain this knowledge internally.

Views of Responsible Officials and Planned Corrective Actions

Due to the financial, efficiency and time constraints, it has been determined by Stark and Billings Soil Conservation District's management that it is in the best interest of Stark and Billings Soil Conservation District and all interested parties to have the general ledger accounts adjusted at year-end to properly reflect the modified cash basis of accounting by the auditing firm at the time of the audit.

STARK AND BILLINGS SOIL CONSERVATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
DECEMBER 31, 2021

2021-003 Significant Deficiency – Segregation of Duties

Criteria

Generally, a system of internal control has the proper separation of duties between authorization, custody, record keeping and reconciliation.

Condition

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keeping and reconciliation.

Cause

Size and budget constraints limit the number of personnel within the accounting department.

Effect

The design of the internal control over financial reporting could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation

The areas should be reviewed periodically and consideration given to improving the segregation of duties. Compensating controls over the underlying financial information may be obtained through oversight by management and the board.

Views of Responsible Officials and Planned Corrective Actions

The District has segregated the accounting duties to the appropriate individuals to the extent possible. Because of the very limited number of staff available for the District, all of the accounting duties cannot be totally segregated in such a way as to eliminate this reportable condition. The only alternative available to the District would be the hiring of additional staff, and current cash flows do not justify it. The District has reviewed the internal controls and procedures in place and believes the procedures in place provide adequate controls under these circumstances.