



# NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

## North Dakota Soybean Council

Audit Report for the Fiscal Year Ended June 30, 2023

Client Code 611



# TABLE OF CONTENTS

<b>INDEPENDENT AUDITOR’S REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	<b>5</b>
Balance Sheet	5
Statement of Revenues, Expenditures, and Changes in Fund Balance	6
Notes to the Financial Statements	7
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	<b>19</b>
Schedule of Employer’s Share of Net Pension Liability	19
Schedule of Employer Contributions	20
Notes to Required Supplementary Information	21
Schedule of Employer’s Share of Net OPEB Liability	22
Schedule of Employer Contributions	22
Notes to Required Supplementary Information	23
<b>SUPPLEMENTARY INFORMATION</b>	<b>24</b>
Schedule of Activities – Actual and Budget	24
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing     Standards</i>	25
Findings, Recommendations, and Management’s Response	28
Governance Communication	30



**NORTH DAKOTA OFFICE OF THE STATE AUDITOR**

Fargo Office  
1655 S. 43rd St., Ste. 203  
Fargo, ND 58103

[www.nd.gov/auditor](http://www.nd.gov/auditor)

[ndsao@nd.gov](mailto:ndsao@nd.gov)

**INDEPENDENT AUDITOR'S REPORT**

Members of the Legislative Assembly

Members of the North Dakota Soybean Council

Stephanie Sinner, North Dakota Soybean Council Executive Director

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

***Opinion***

We have audited the financial statements of the Operating Fund of the North Dakota Soybean Council, as of and for the year ended June 30, 2023, and the related notes to the 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 Operating Fund of the North Dakota Soybean Council as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the North Dakota Soybean Council 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 opinion.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements are intended to present the financial position and the changes in financial position, of only the Operating Fund of the North Dakota Soybean Council. They do not purport to, and do not, present fairly the financial position of the state of North Dakota, as of June 30, 2023, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***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 the financial statements that is 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 opinion. 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 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 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 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 North Dakota Soybean Council'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.

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.

### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively compare the North Dakota Soybean Council Operating Fund's financial statements. The Schedule of Activities – Actual and Budget is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic

financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of

Activities – Actual and Budget is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with Government Auditing Standards, we have also issued our report dated October 19, 2023 on our consideration of the North Dakota Soybean Council’s internal control over financial reporting and on our tests of 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 North Dakota Soybean Council’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 North Dakota Soybean Council’s internal control over financial reporting and compliance.

/S/

Joshua C. Gallion  
State Auditor  
Bismarck, North Dakota  
October 19, 2023

**FINANCIAL STATEMENTS**  
**Balance Sheet**

	June 30, 2023
<u>Assets</u>	
Cash and cash equivalents	\$ 5,944,088
Investments	5,060,300
Assessments receivable	416,093
Miscellaneous receivable	124,953
Interest receivable	5,759
Total assets	\$ 11,551,193
 <u>Liabilities and Fund Balance</u>	
Liabilities:	
Accounts payable	\$ 487,154
Accrued payroll	60,399
Due to the United Soybean Board	461,087
Due to Other Qualified State Soybean Boards	58,182
Total liabilities	\$ 1,066,822
 Fund Balance:	
Restricted	\$ 10,484,371
Total fund balance	\$ 10,484,371
Total liabilities and fund balance	\$ 11,551,193

See Notes to the Financial Statements.



## Statement of Revenues, Expenditures, and Changes in Fund Balance

	<u>Governmental Funds</u> <u>June 30, 2023</u>
<u>Revenues</u>	
Assessment revenues collected from 1st Purchasers	\$ 14,351,222
Less Assessment revenues remitted to:	
Qualified State Soybean Boards	(378,677)
United Soybean Board	(6,986,969)
Net assessment revenues	\$ 6,985,576
Interest income	55,064
Miscellaneous revenue	100,359
Total revenues	\$ 7,140,999
<u>Expenditures</u>	
Program expenditures:	
Marketing	\$ 1,348,634
Communications	1,300,245
Research	1,531,730
Total program expenditures	\$ 4,180,609
Administration	\$ 1,246,656
Total expenditures	\$ 5,427,265
Revenues over expenditures	\$ 1,713,734
Fund Balance, Beginning of Year	\$ 8,770,637
Fund Balance, End of Year	\$ 10,484,371

See Notes to the Financial Statements.



## Notes to the Financial Statements

### NOTE 1 | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The responsibility for the financial statements, the internal control structure, and compliance with laws and regulations belongs to management of the North Dakota Soybean Council (Council). A summary of the significant accounting policies follows:

#### A. REPORTING ENTITY

For financial reporting purposes, the Council includes all funds, programs, and activities over which it is financially accountable. The Council does not have any component units as defined by the Government Accounting Standards Board. The Council was created by the state legislature and is part of the state of North Dakota as a reporting entity. The financial statements report all revenue and expenditure activity in the operations program.

#### B. REPORTING STRUCTURE

The financial statements include all activities of the reporting entity as defined above. In accordance with the North Dakota Century Code (NDCC) section 4.1-11-15 these activities are funded on a continuing appropriation basis from a special revenue fund (the Soybean Council fund).

#### C. FUND FINANCIAL STATEMENTS

Separate fund financial statements are provided for the Council's governmental fund.

#### D. FUND ACCOUNTING STRUCTURE

The Council uses a fund to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The Council reports their operating fund as a major governmental fund. It is used to account for the collection of assessments and transactions to provide and participate in programs to increase the use and consumption of soybeans through such means as advertising, research, consumer information, industry information, sales promotion, and education of the soybean industry.

#### E. BASIS FOR ACCOUNTING

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual, generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current

period or soon enough thereafter to pay liabilities of the current period, generally within 30 days of year end. The revenues that are determined to be susceptible to accrual are soybean assessments and interest.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments, are recorded only when payment is due and payable.

#### **F. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents for reporting purposes includes cash and short-term, highly liquid investments that are readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rate. This includes investments with original maturity of three months or less. Also, cash, as reported, may be under the control of the State Treasurer or by other administrative bodies as determined by law.

#### **G. INVESTMENTS**

Investments include certificates of deposit that are reported at fair value.

#### **H. RECEIVABLES**

Receivables include assessments receivables on soybeans, miscellaneous receivables for refunds on research and marketing expenditures, and interest receivable on investments.

#### **I. ACCOUNTS PAYABLE**

Accounts payable consists of amounts owed for committed grants, goods, and services received prior to June 30, 2023, and chargeable to the expenditures for the year then ended but paid subsequent to that date.

#### **J. COMPENSATED ABSENCES**

Annual and sick leave are part of a permanent employees' compensation as set forth in section 54-06-14 of the NDCC. In general, accrued annual leave cannot exceed 30 days at April 30, while accrued sick leave is not limited. Employees are entitled to earn leave based on tenure of employment, within a range from a minimum of one working day, to a maximum of two working days per month, established by the rules and regulations adopted by the employing unit. Employees are paid for all unused annual leave upon termination or retirement, per section 54-06-14 of the NDCC. Employees vest in sick leave at ten years of credible service, at which time the employer is liable for 10% of the accumulated unused sick leave.

#### **K. PENSIONS**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on

the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **L. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **M. FUND BALANCE**

The difference between fund assets and liabilities is "Fund Balance" on the governmental fund statements. Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned, or unassigned. All of the Council's fund balance is considered restricted.

#### **N. PROGRAM EXPENDITURE CLASSIFICATION**

Classification of program expenditures are reported to reflect the funds being spent on specific projects under the purview of each committee of the Council. The four primary categories are: Administration (overseen by the Executive Committee); Marketing (overseen by the Marketing Committee to include both domestic and international marketing programs); Research (overseen by the Research Committee); and Communications (overseen by the Outreach & Education Committee). Payroll is included in Administration rather than being allocated among the programs in order to present an accurate picture of where staff time was being spent.

#### **O. NEW ACCOUNTING PRONOUNCEMENTS**

During fiscal year 2023, the Council adopted GASB Statement No. 91, *Conduit Debt Obligations*, GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, and GASB Statement No. 99, *Omnibus 2022*.

The Council will implement the following new pronouncements for fiscal years ending after 2023: GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, and GASB Statement No. 101, *Compensated Absences*. The effect that these GASB Statements will have on future financial statements has not yet been determined.

## NOTE 2 | DEPOSITS AND INVESTMENTS

### A. Deposits

State law generally requires that all state funds be deposited in the Bank of North Dakota. NDCC section 21-04-02 provides that public funds belonging to or in the custody of the state shall be deposited in the Bank of North Dakota. Also, NDCC section 6-09-07 states, “all state funds must be deposited in the Bank of North Dakota” or must be deposited in accordance with constitutional and statutory provisions.

The carrying amount of deposits was \$5,944,088 at June 30, 2023. All deposits are exposed to custodial credit risk because they are not covered by depository insurance and the deposits are uncollateralized. All of the Council’s deposits are at the Bank of North Dakota. Deposits with the Bank of North Dakota are considered uninsured; however, these investments are guaranteed by the state of North Dakota (NDCC section 6-09-10).

### B. Investments

All investments must be short-term (one year or less), risk free (federally insured or fully collateralized), and interest bearing. The fair value of investments was \$5,060,300 at June 30, 2023. All investments were certificates of deposit insured by the U.S. government. NDCC section 4.1-44-03 states the state treasurer shall credit twenty percent of the investment income to the general fund in the state treasury as payment for services when provided without cost to the Council, the remaining 80% is credited to the soybean fund.

## NOTE 3 | LONG TERM LIABILITIES

A summary of changes in the long-term liabilities for the fiscal year ended June 30, 2023 is presented as follows:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Current Portion
Compensated Absences	\$ 47,387	\$ 27,924	\$ (27,434)	\$ 47,877	\$ 4,251
Total	\$ 47,387	\$ 27,924	\$ (27,434)	\$ 47,877	\$ 4,251

## NOTE 4 | PENSIONS

The Council participates in the North Dakota Public Employees' Retirement System (NDPERS), administered by the state of North Dakota. 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.

## **A. Description of Pension Plan**

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.

## **B. Pension Benefits**

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member 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. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

## **C. 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.

#### **D. 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.

#### **E. 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

#### **F. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2023, the Council reported a liability of \$1,079,795 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Council's proportion of the net pension liability was based on the Council's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2022, the Council's proportion was 0.037492 percent which was an increase of 0.002803 percent from its proportion measured as of June 30, 2021.

While the Council's financial statements present expenditures on a modified accrual basis, the accrual based pension expense for the year ended June 30, 2023 was \$141,976.

**Actuarial assumptions.** The total pension liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	5.10%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund’s target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.00%
International Equity	21%	6.70%
Private Equity	7%	9.50%
Domestic Fixed Income	23%	0.73%
International Fixed Income	0%	0.00%
Global Real Assets	19%	4.77%
Cash Equivalents	0%	0.00%

**Discount rate.** For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.



The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.69%; and the resulting Single Discount Rate is 5.10%.

*Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.* The following presents the Employer's proportionate share of the net pension liability using the discount rate of 5.10 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.10 percent) or 1-percentage-point higher (6.10 percent) than the current rate:

	<b>1% Decrease (4.10%)</b>	<b>Current Discount Rate (5.10%)</b>	<b>1% Increase (6.10%)</b>
Employer's proportionate share of the net pension liability	\$1,425,255	\$1,079,795	\$796,184

*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 5 | OTHER POST EMPLOYMENT BENEFITS (OPEB)**

The Council participates in the North Dakota Public Employees' Retirement System (NDPERS), other post employment benefits (OPEB) administered by the state of North Dakota. 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.

### **A. Description of OPEB Plan**

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.

## **B. 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, 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.

## **C. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2023, the Council reported a liability of \$29,393 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as

of that date. The Council's proportion of the net OPEB liability was based on the Council's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2022, the Council's proportion was 0.024488 percent which was an decrease of 0.005984 percent from its proportion measured as of June 30, 2021.

While the Council's financial statements present expenditures on a modified accrual basis, the accrual-based OPEB expense for the years ended June 30, 2023 is \$3,241.

**Actuarial assumptions.** The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	5.75%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	5.85%
Small Cap Domestic Equities	6%	6.75%
Domestic Fixed Income	35%	0.50%
International Equities	26%	6.25%

**Discount rate.** The discount rate used to measure the total OPEB liability was 5.39%. The projection of cash flows used to determine the discount rate assumed plan member and

statutory rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

***Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate.*** The following presents the net OPEB liability of the Plans as of June 30, 2022, calculated using the discount rate of 5.39%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.39 percent) or 1-percentage-point higher (6.39 percent) than the current rate:

	<b>1% Decrease (4.39%)</b>	<b>Current Discount Rate (5.39%)</b>	<b>1% Increase (6.39%)</b>
Employer's proportionate share of the net OPEB liability	\$37,519	\$29,393	\$22,572

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

## **NOTE 6 | RISK MANAGEMENT**

The Council is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The following are funds/pools established by the state for risk management issues.

The 1995 Legislative Session established the Risk Management Fund (RMF), an internal service fund, to provide a self-insurance vehicle for funding the liability exposures of state agencies resulting from the elimination of the state's sovereign immunity. The RMF manages the tort liability of the state and its agencies' employees and the university system. All state agencies participate in the RMF and their fund contribution is determined using a projected cost allocation approach. The statutory liability of the state is limited to a total of \$406,250 per person and \$1,625,000 per occurrence.

The Council also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The agency pays an annual premium to the Fire and Tornado Fund to cover property damage to personal property. Replacement cost coverage is determined in consultation with the Fire and Tornado Fund. The State Bonding Fund currently provides the agency with blanket fidelity bond coverage in the amount of \$2,000,000 per employee. The State Bonding Fund does not currently charge any premium for this coverage.

The Council participates in the North Dakota Worker's Compensation Bureau, an enterprise fund of the state of North Dakota. The Bureau is a state insurance fund and a "no fault" insurance

system covering the state's employers and employees financed by premiums assessed to employers. The premiums are available for the payment of claims to employees injured in the course of employment. There have been no significant reductions in insurance coverage from the prior years and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

## **NOTE 7 | RELATED PARTIES**

As noted in Note 1 of these financial statements, the Council is an agency of the state of North Dakota, as such, other agencies of the state are related parties. The Council made payments to North Dakota State University of \$1,689,026 for research, funding, and service contracts. The Council paid North Dakota State University Foundation \$117,500 for sponsorships and scholarships. The Council also made payments to the North Dakota Livestock Alliance for sponsorship and promotion of soybeans of \$50,000. The Council also has a particularly close working relationship with the North Dakota Soybean Growers Association and made payments of \$552,777 for promotional contracts.

Effective July 1, 2022, the Council entered into an agreement with North Dakota State University for the use of a tractor owned by the Council. Terms of the agreement are for 36 months. Payments for the agreement are \$0. The tractor is to be used for research conducted by the soybean breeding program at the University. Also effective July 1, 2022, the Council entered into an agreement with North Dakota State University for use of a plot combine owned by the Council. Terms of the agreement are for 36 months. Payments for the agreement are \$0. The combine will be used for harvesting and other needs associated with the research activities of soybean breeding and research.

## **NOTE 8 | COMMITMENTS**

The Council has approved research contracts with North Dakota State University for \$1,920,496, the North Central Soybean Research Program for \$250,000, the Clean Fuels Alliance America for \$360,000, the American Soybean Association for \$200,000, the MEG Corporation for \$120,875, the US Soybean Export Council for \$541,980, the Specialty Soya and Grains Alliance for \$145,000, and approved promotional contracts with the North Dakota Soybean Growers Association for \$553,050 at June 30, 2023.

## **NOTE 9 | SUBSEQUENT EVENTS**

On April 29, 2023, North Dakota House Bill 1501 was signed into law by the governor. House Bill 1501 amended subsection 1 of NDCC 4.1-11-01 changing the North Dakota Soybean Council to a nongovernmental entity rather than a state agency. This structural change in organizational set up is effective July 1, 2024. There were other amendments made to NDCC 4.1 due to House Bill 1501 which will change how the council adheres to North Dakota laws, one in particular is the amendment to NDCC 4.1-44-03 removing the North Dakota State Treasurer's responsibility to invest all available moneys in the Soybean Fund, effective July 1, 2024.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of Employer's Share of Net Pension Liability  
ND Public Employees Retirement System  
Last 10 Fiscal Years\***

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered-employee payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	0.037492%	\$1,079,795	\$435,223	248.10%	54.47%
2022	0.034689%	\$361,564	\$392,818	92.04%	78.26%
2021	0.034625%	\$1,089,310	\$381,959	285.19%	48.91%
2020	0.039211%	\$459,581	\$407,860	112.68%	71.66%
2019	0.032090%	\$541,554	\$329,664	164.27%	62.80%
2018	0.042079%	\$676,348	\$429,564	157.45%	61.98%
2017	0.040402%	\$393,757	\$407,159	96.71%	70.45%
2016	0.041685%	\$283,451	\$371,364	76.33%	77.15%
2015	0.041512%	\$263,486	\$349,692	75.35%	77.70%

\*Complete data for this schedule is not available prior to 2015. The amounts presented for each fiscal year have a measurement date of the previous fiscal year end.

**Schedule of Employer Contributions  
ND Public Employees Retirement System  
Last 10 Fiscal Years\***

	Statutorily required contributions	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Contributions as a percentage of covered employee payroll
2023	\$32,780	(\$32,780)	\$0	\$443,156	7.40%
2022	\$28,968	(\$28,968)	\$0	\$435,223	6.66%
2021	\$27,046	(\$27,046)	\$0	\$392,818	6.89%
2020	\$29,695	(\$29,695)	\$0	\$381,959	7.77%
2019	\$24,281	(\$24,281)	\$0	\$407,860	5.95%
2018	\$32,182	(\$32,182)	\$0	\$329,664	9.76%
2017	\$33,362	(\$33,362)	\$0	\$429,564	7.77%
2016	\$30,950	(\$30,950)	\$0	\$407,159	7.60%
2015	\$28,603	(\$28,603)	\$0	\$371,364	7.70%

\*Complete data for this schedule is not available prior to 2015.



**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2023**

*Changes of benefit terms.*

The interest rate earned on member contributions decreased from 6.50 percent to 6.00 percent effective January 1, 2023 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

*Changes of assumptions.*

The investment return assumption was updated from 7.00% to 6.50% beginning with the actuarial valuation as of July 1, 2022. All other actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020.

**Schedule of Employer's Share of Net OPEB Liability**  
**ND Public Employees Retirement System**  
**Last 10 Fiscal Years\***

	Employer's proportion of the net OPEB liability (asset)	Employer's proportionate share of the net OPEB liability (asset)	Employer's covered-employee payroll	Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2023	0.024488%	\$29,393	\$252,816	11.63%	56.28%
2022	0.030472%	\$16,948	\$332,218	5.10%	76.63%
2021	0.028178%	\$23,703	\$321,216	7.38%	63.38%
2020	0.036551%	\$29,357	\$407,860	7.20%	63.13%
2019	0.030128%	\$23,728	\$329,664	7.20%	61.89%
2018	0.039707%	\$31,409	\$429,564	7.31%	59.78%

\*Complete data for this schedule is not available prior to 2018. The amounts presented for each fiscal year have a measurement date of the previous fiscal year end.

**Schedule of Employer Contributions**  
**ND Public Employees Retirement System**  
**Last 10 Fiscal Years\***

	Statutorily required contributions	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Contributions as a percentage of covered employee payroll
2023	\$3,077	(\$3,077)	\$0	\$257,347	1.20%
2022	\$3,995	(\$3,995)	\$0	\$252,816	1.58%
2021	\$3,774	(\$3,774)	\$0	\$332,218	1.14%
2020	\$4,743	(\$4,743)	\$0	\$321,216	1.48%
2019	\$3,867	(\$3,867)	\$0	\$407,860	0.95%
2018	\$5,153	(\$5,153)	\$0	\$329,664	1.56%

\*Complete data for this schedule is not available prior to 2018.

**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2023**

*Changes of benefit terms.*

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 have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

*Changes of assumptions.*

The investment return assumption was updated from 6.50% to 5.75% beginning with the actuarial valuation as of July 1, 2022. All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2021.

**SUPPLEMENTARY INFORMATION**  
**Schedule of Activities – Actual and Budget**

	June 30, 2023		
	Actual	Budget	Difference
<u>Revenues</u>			
Assessment revenues collected from 1st Purchasers	\$ 14,351,222	\$ 6,440,000	\$ 7,911,222
Less:			
Assessment revenue remitted to QSSB's	(378,677)		(378,677)
Assessment revenue remitted to USB	(6,986,969)		(6,986,969)
Net assessment revenues	\$ 6,985,576	\$ 6,440,000	\$ 545,576
Interest income	\$ 55,064		\$ 55,064
Miscellaneous revenue	100,359		100,359
Transfers from general fund			
Total revenues	<u>\$ 7,140,999</u>	<u>\$ 6,440,000</u>	<u>\$ 700,999</u>
<u>Expenditures</u>			
Program expenditures:			
Marketing	\$ 1,348,634	\$ 2,000,000	\$ (651,366)
Communications	1,300,245	1,500,000	(199,755)
Research	1,531,730	2,000,000	(468,270)
Total program expenditures	\$ 4,180,609	\$ 5,500,000	\$ (1,319,391)
Administration	\$ 1,246,656	\$ 1,500,000	\$ (253,344)
Total expenditures	<u>\$ 5,427,265</u>	<u>\$ 7,000,000</u>	<u>\$ (1,572,735)</u>
Increase (Decrease) in Fund Balance	<u>\$ 1,713,734</u>	<u>\$ (560,000)</u>	



**NORTH DAKOTA OFFICE OF THE STATE AUDITOR**

Fargo Office  
1655 S. 43rd St., Ste. 203  
Fargo, ND 58103

[www.nd.gov/auditor](http://www.nd.gov/auditor)

[ndsao@nd.gov](mailto:ndsao@nd.gov)

**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

Members of the Legislative Assembly

Members of the North Dakota Soybean Council

Stephanie Sinner, North Dakota Soybean Council Executive Director

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of North Dakota Soybean Council Operating Fund, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the North Dakota Soybean Council's basic financial statements, and have issued our report thereon dated October 19, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered North Dakota Soybean Council'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the North Dakota Soybean Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the North Dakota Soybean Council's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

As part of obtaining reasonable assurance about whether the North Dakota Soybean Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and the Soybean Promotion, Research and Consumer Information Act of 1990 and the Soybean Promotion and Research Order (the "Order") relative to the use and investment of funds collected by the North Dakota Soybean Council and with terms described in Sections 1220.228(a), 1220.211(j) of the Order relative to prohibited uses of funds collected by the North Dakota Soybean Council, 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 one instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which is described in the accompanying *Schedule of Findings, Recommendations and Management's Response* as Finding 2023-01.

In connection with our audit, we noted one area where the North Dakota Soybean Council failed to comply with terms, in so far as they related to the accounting matters of the Soybean Promotion, Research and Consumer Information Act of 1990 and the Soybean Promotion Order (the "Order") relative to the use of funds collected by the North Dakota Soybean Council, with the terms described in Section 1220.228(a) of the Order relative to prohibited use of funds collected by the North Dakota Soybean Council, which is described in the accompanying *Schedule of Findings, Recommendations and Management's Response* as Finding 2023-01.

Also, in connection with our audit, nothing came to our attention that caused us to believe that the North Dakota Soybean Council failed to comply with the terms, in so far as they related to the terms described in Section 1220.211(j) of the Order relative to the investment of funds collected by the North Dakota Soybean Council.

### **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 North Dakota Soybean Council'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.

/S/

Joshua C. Gallion  
State Auditor  
Bismarck, ND  
October 19, 2023



## Findings, Recommendations, and Management's Response

### Finding 2023-01 – Unallowable Grant Agreement Expenditures for Lobbying

#### Condition

We reviewed the grant funding agreement for Legislative Education with the North Dakota Soybean Council (Council) and the North Dakota Soybean Growers (Growers) where the Council will pay up \$85,000 in fiscal year 2023 to "implement a ND soybean producer educational program, excluding advocacy and lobbying, for elected and appointed officials." The agreement also states in part that funds will not be used for political, legislative, or lobbying purposes. We noted that the Growers submitted invoices to the Council for payment and these invoices included time spent lobbying by the Legislative Educator during the 2023 North Dakota Legislative Session.

We noted that the Legislative Educator was paid for time spent testifying in favor on 2023 Senate Bill 2259 relating to audit fees and 2023 House Bill 1501 relating to the Council becoming a non-governmental entity. These testimonies would be considered lobbying per the definition provided in the N.D.C.C.

#### Criteria

7 Code of Federal Regulations (CFR) subpart B, Chapter XI, Section 1220.228(a)(1)(ix)(A) states in part, funds collected or received by the Qualified State Soybean Board shall not be used in any manner for the purpose of influencing any action or policy of the United States Government, any foreign or State government, or any political subdivision.

The North Dakota Growers Association Legislative Education Grant Funding Agreement for fiscal year 2023 section 3 states, in part, funds will not be used for political, legislative, or lobbying purposes. Additionally, section 3.d states, "that the sole role of the Legislative Educator is to educate. The Legislative Educator shall not lobby, advocate or engage in any policy-related activity at any time during the term of this contract."

N.D.C.C. 54-05.1-02 defines a lobbyist as any person who, in any manner whatsoever, directly or indirectly, attempts to secure the passage, amendment, or defeat of any legislation by the legislative assembly.

#### Effect

By reimbursing for lobbying expenditures, the Council has violated 7 CFR Section 1220.228(a)(1)(ix)(A) as well as the Legislative Education Grant Funding Agreement for fiscal year 2023.

#### Cause

The Council inadequately monitored the contract expenses which were submitted for reimbursement.

**Recommendation**

We recommend that the Council properly monitor contract expenditures to ensure compliance with 7 CFR subpart B, Chapter XI, Section 1220.228(a)(1)(ix)(A) and the North Dakota Growers Association Legislative Education Grant Funding Agreement and not pay lobbying expenditures from Council funds.

**North Dakota Soybean Council Response/Corrective Action Plan:**

Agree with the recommendation that contract expenditures be monitored to ensure compliance. Effective immediately, contract expenditures will be monitored and additional documentation will be requested as needed to ensure compliance and clarity of educational efforts.



**NORTH DAKOTA OFFICE OF THE STATE AUDITOR**

Fargo Office  
1655 S. 43rd St., Ste. 203  
Fargo, ND 58103

[www.nd.gov/auditor](http://www.nd.gov/auditor)

[ndsao@nd.gov](mailto:ndsao@nd.gov)

**Governance Communication**

October 19, 2023

North Dakota Soybean Council

Legislative Audit and Fiscal Review Committee

We have audited the financial statements of the governmental activities and major fund, of the North Dakota Soybean Council for the year ended June 30, 2023 and have issued our report thereon dated October 19, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 6, 2023. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Matters**

***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the North Dakota Soybean Council are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the audit period. We noted no transactions entered into by the North Dakota Soybean Council during fiscal year 2023 for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected the misstatement as detailed below:

**Audit Adjustments**

	Debit	Credit
Assessment revenues remitted to United Soybean Board	\$ 5,737	
Accounts Payable		\$ 5,737

To record USB remittance payment

In addition, none of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

There were no uncorrected misstatements.

***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated October 19, 2023.

***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the North Dakota Soybean Council’s financial statements or a determination of the type of auditor’s opinion that may be expressed on that statement, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the North Dakota Soybean Council’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Matters**

We applied certain limited procedures to the Schedule of Employer's Share of Net Pension Liability, the Schedule of Employer Contributions for pensions, the Schedule of Employer's Share of Net OPEB Liability and the Schedule of Employer Contributions for OPEB which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedule of Activities – Actual and Budget, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### **Restriction on Use**

This information is intended solely for the use of Legislative Audit and Fiscal Review Committee, the North Dakota Soybean Council Board of Directors and management of the North Dakota Soybean Council, is not intended to be, and should not be used by anyone other than these specified parties.

Very truly yours,



Robyn Hoffmann, CPA  
Audit Manager



NORTH DAKOTA STATE AUDITOR  
JOSHUA C. GALLION

**NORTH DAKOTA STATE AUDITOR'S OFFICE**

600 E. Boulevard Ave. Dept. 117 | Bismarck, North Dakota 58505

 [ND.gov/Auditor](https://nd.gov/Auditor)

 [NDSAO@nd.gov](mailto:NDSAO@nd.gov)

 701-328-2241

 [Facebook.com/NDStateAuditor](https://Facebook.com/NDStateAuditor)

 [Linkedin.com/company/NDStateAuditor](https://Linkedin.com/company/NDStateAuditor)