



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

North Dakota Oilseed Council

Audit Report for the Two-Year Period Ended June 30, 2024

Client Code 608



TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT	1
FINANCIAL STATEMENTS	4
Comparative Statement of Revenues and Expenditures	4
Notes to the Financial Statement	5
EXHIBITS	7
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>	7
Financial Statement Finding	9
Governance Communication	10



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Independent Auditor's Report

Members of the Legislative Assembly

Members of the North Dakota Oilseed Council

Jon Wert, North Dakota Oilseed Council Chairman

Report on the Audit of the Financial Statement

Opinion

We have audited the accompanying Comparative Statement of Revenues and Expenditures of the North Dakota Oilseed Council Fund, for the two years ended June 30, 2024, and the related notes to the financial statement, as listed in the table of contents.

In our opinion, the accompanying financial statement referred to above present fairly, in all material respects, the revenues and expenditures for the North Dakota Oilseed Council Fund, for the two-year period ended June 30, 2024, 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 Statement section of our report. We are required to be independent of the North Dakota Oilseed 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 statement presents only the North Dakota Oilseed Council Fund's revenues and expenditures, and does not purport to, and does not present fairly the

financial position of the state of North Dakota as of June 30, 2024 and 2023, for the years 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.

As discussed in Note 1, the financial statement is presented and audited in accordance with North Dakota Century Code 4.1-44-04. This financial statement is not intended to be a complete presentation of the North Dakota Oilseed Council Fund's assets and liabilities. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement 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 statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is 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 statement.

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 statement, 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 statement.
- 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 Oilseed 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 statement.

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

Other Reporting Required by the Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2024, on our consideration of the North Dakota Oilseed Council’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 North Dakota Oilseed 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 Oilseed Council’s internal control over financial reporting and compliance.

/s/

Joshua C. Gallion
State Auditor
Bismarck, North Dakota
December 2, 2024

Comparative Statement of Revenues and Expenditures

For the Years Ended June 30, 2024 and 2023

Revenues:

	6/30/2024	6/30/2023
Assessments (Net of Refunds of \$95,478 and \$75,957)	1,674,606	1,611,851
Interest on investments	8,174	4,746
Refund on Warranty	121	-
Total Revenue	1,682,901	1,616,597

Expenditures:

Professional Fees & Services	1,416,715	1,324,630
Salaries	60,580	38,895
Fringe Benefits	42,203	24,936
Sponsorships	103,900	6,719
Professional Development	1,597	1,563
Rental/Leases	12,000	11,500
Travel	3,052	2,215
Operating Fees and Services	3,446	3,834
IT Communications	1,985	1,844
Insurance	863	816
Supplies - IT Software	120	202
Office Supplies	791	208
Postage and Printing	1,140	1,013
Office Equipment	1,341	-
Total Expenditures	1,649,734	1,418,374
Revenue Over/(Under) Expenditures	33,167	198,223

Notes to the Financial Statement

NOTE 1 | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

For financial reporting purposes, the North Dakota Oilseed Council includes all funds, programs, and activities over which it is financially accountable. The North Dakota Oilseed Council does not have any component units as defined by the Government Accounting Standards Board. The North Dakota Oilseed Council is part of the state of North Dakota as a reporting entity.

The North Dakota Oilseed Council was established by North Dakota Century Code chapter 4.1-09, and is responsible for promoting the production, development, marketing, and advertising of sunflower, safflower, rapeseed or canola, crambe, and flax within North Dakota. The Council receives its funding through an assessment of four cents per hundredweight on sunflowers and canola, three cents per bushel on flax, and three cents per hundredweight on all other oilseeds grown in North Dakota or sold to a first purchaser. The Council operates on a continuing appropriation and received no funding from the state legislature.

B. REPORTING STRUCTURE

The financial statement includes all activities of the reporting entity as defined above. These activities are funded from the North Dakota Oilseed Fund. The comparative statement of revenues and expenditures is a combined statement to give the users an overview of the agency's activity.

C. BASIS OF PRESENTATION

North Dakota Century Code 4.1-44-04 requires certain commodity promotion groups to prepare a report for the legislative assembly. As part of this report the applicable commodity groups are required to prepare a single-page uniform statement of revenues and expenditures.

Revenues and expenditures on the comparative statement of revenues and expenditures are reported on the modified accrual basis of accounting which is generally accepted accounting principles (GAAP) for governmental fund types.

Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e. measurable and available). Measurable means the amount can be determined, available means due and collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered available if they are collected within a year after fiscal year end. Expenditures are recorded when goods or services are received. Exceptions include: principal and interest expenditures which are recorded when due and compensated absences which are recorded when paid.

D. GAAP REPORTING DIFFERENCES

GAAP financial statements would include a balance sheet. GAAP financial statements would also provide additional note disclosures.

NOTE 2 | RELATED PARTIES

The North Dakota Oilseed Council has seven members representing sunflower producers. These members are also on the National Sunflower Association (NSA) board of directors. The North Dakota Oilseed Council contracts with the NSA to promote market development and research for sunflowers. Payments under these contracts totaled \$673,332 for the two-year period ended June 30, 2024.

The North Dakota Oilseed Council has three members representing canola producers. This member is also on the Northern Canola Growers Association board of directors. The North Dakota Oilseed Council contracts with the Northern Canola Growers Association to promote market development and research for canola. Payments under these contracts totaled \$1,950,000 for the two-year period ended June 30, 2024.

The North Dakota Oilseed Council has one member representing flaxseed producers. This member is also on the AmeriFlax board of directors. The North Dakota Oilseed Council contracts with AmeriFlax Inc. to promote market development and research for flaxseed. Payments under these contracts totaled \$110,000 for the two-year period ended June 30, 2024.

NOTE 3 | OTHER SIGNIFICANT ITEMS

North Dakota Oilseed Council has cash and investment reserves of \$1,905,599.91 and \$1,773,251.04 at June 30, 2024 and June 30, 2023, respectively. Based on the average monthly expenditures for fiscal years 2024 and 2023, this amount represents approximately 13.86 and 15 months of expenditures, respectively.



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**Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in Accordance
With Government Auditing Standards**

Independent Auditor's Report

Members of the Legislative Assembly

Members of the North Dakota Oilseed Council

Jon Wert, North Dakota Oilseed Council Chairman

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 Comparative Statement of Revenues and Expenditures of the North Dakota Oilseed Council, for the two-year period ended June 30, 2024, and the related notes to the financial statement and have issued our report thereon dated December 2, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered North Dakota Oilseed 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 statement, but not for the purpose of expressing an opinion on the effectiveness of the North Dakota Oilseed Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the North Dakota Oilseed 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 statement will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies,

in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of audit findings as items 2024-01, to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North Dakota Oilseed Council's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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*.

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.

/S/

Joshua C. Gallion
State Auditor
Bismarck, ND
December 2, 2024

North Dakota Oilseed Council
Schedule of Audit Findings
For the Year Ended June 30, 2024

Financial Statement Finding

2024 – Material Audit Adjustments – North Dakota Oilseed Council – Material Weakness

Condition

During the audit of the North Dakota Oilseed Council, we proposed material adjusting entries to the financial statements in accordance with generally accepted accounting principles (GAAP). These adjustments were approved by management and are reflected in the financial statements.

Effect

There is an increased risk of material misstatement to the North Dakota Oilseed Council's financial statements.

Cause

The North Dakota Oilseed Council may not have procedures in place to ensure the financial statements are complete and accurate.

Criteria

The North Dakota Oilseed Council's internal control structure should be designed to have an adequate system for recording and processing entries material to the annual financial reports in accordance with GAAP.

Repeat Finding

No.

Recommendation

We recommend the North Dakota Oilseed Council review its procedures and requirements for the preparation of the financial statements to ensure the financial statements are complete and accurate in accordance with GAAP.

North Dakota Oilseed Council's Response

We agree with the audit finding regarding the proposed material adjusting entries to the financial statements in accordance with generally accepted accounting principles (GAAP). We understand the importance of insuring that our financial statements are complete and accurate.

In the future, the North Dakota Oilseed Council will record all expenditures and revenues in the proper fiscal year by considering when the revenue are earned and the expenditures are incurred, rather than the dates that the payments are due.

These actions will help ensure that future statements are prepared accurately and in accordance with GAAP, thereby reducing the risk of material misstatement.



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Governance Communication

December 2, 2024

North Dakota Oilseed Council

Legislative Audit and Fiscal Review Committee

We have audited the Comparative Statement of Revenues and Expenditures of the North Dakota Oilseed Council for the two-year period ended June 30, 2024 and have issued our report thereon dated December 2, 2024. 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 September 16, 2024. 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 Oilseed Council are described in Note 1 to the financial statement. No new accounting policies were adopted, and the application of existing policies was not changed during the two-year period. We noted no transactions entered into by the North Dakota Oilseed Council during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement 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. The following known material misstatements were identified during the audit:

	<u>Audit Adjustments</u>	
	Debit	Credit
Assessment Revenue	1,509.03	
Accounts Receivable		1,509.03
FY24 - to record the correct amount received		
Assessment Revenue	25,659.36	
Accounts Receivable		25,659.36
FY23 - to record in the correct year		
Accounts Receivable	25,659.36	
Assessment Revenue		25,659.36
FY24 - to record in the correct year		
Accounts Receivable	25,956.26	
Assessment Revenue		25,956.26
FY24 - to record in the correct year		
Accounts Payable	43,336.00	
Professional Fees and Services		43,336.00
FY23 - to apply expenditures to the correct year		
Professional Fees and Services	433,336.00	
Accounts Payable		433,336.00
FY24 - to apply expenditures to the correct year		

The following likely misstatements were identified during the audit:

	<u>Passed Audit Adjustment</u>	
	Debit	Credit
Assessment Revenue	18,526.88	
Accounts Receivable		18,526.88
FY23 - to record in the correct year		
Accounts Receivable	18,526.88	
Assessment Revenue		18,526.88
FY24 - to record in the correct year		
Accounts Receivable	20,377.75	
Assessment Revenue		20,377.75
FY24 - to record in the correct year		

The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though in our judgement, such uncorrected misstatements are immaterial to the financial statements under this audit.

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 statement 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 December 2, 2024.

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 Oilseed Council's financial statement 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 Oilseed 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.

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

Very truly yours,



Kevin Scherbenske, CPA
Audit Manager



NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

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