

Stillwater Conservation District

**Independent Auditors' Reports,
Audited Financial Statements, and
Supplemental Information**

For the Year Ended June 30, 2023

Stillwater Conservation District

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**Independent Auditors' Report on
Financial Statements and Supplementary Information**

To the Board of Supervisors of
Stillwater Conservation District
Columbus, Montana

Opinion

We have audited the accompanying financial statements of the business type activities of Stillwater Conservation District (the District) as of and for the year ended June 30, 2023 and the statements of net position, changes in fund net position, cash flows, and 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 financial position of the District as of June 30, 2023, and the respective changes in its net position and its cash flows 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 the auditing standards generally accepted in the United States of America and the standards applicable to the 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 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibility 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.

Auditors' Responsibility for the Audit of the Financial Statements (continued)

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 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.

Report on Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Report on Required Supplemental Information (continued)

We have applied certain limited procedures to the Required Supplemental 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.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards on pages 17 through 18, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Report Issued in Accordance with *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 12, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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.



FJ & Associates, PLLC
Kaysville, Utah
October 12, 2025

Stillwater Conservation District Management's Discussion and Analysis Year Ended June 30, 2023

INTRODUCTION

The Stillwater Conservation District's (the District) particularly focuses on stream and watershed health and is based in the USDA Service Center in Columbus, MT. The District's purpose is to promote the conservation, sustainable use, and protection of natural resources; primarily soil, water, and related resources within Stillwater County, Montana. District provides technical assistance, education, and cost-share programs to landowners, supports watershed and rangeland health, administers permits under the Montana 310 Law for stream protection, and partners with federal and state agencies to implement conservation practices.

The District presents this discussion and analysis of its financial performance during the fiscal year ended June 30, 2023 (FY2023), to assist the reader in focusing on significant financial issues and concerns. This discussion and analysis is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.

The District's FY2023 annual financial report consists of two parts – the management's discussion and analysis, and the basic financial statements (which include notes to those financial statements). Also included are supplementary schedules that separate the programs specific to the District's activity.

The basic financial statements provide information about the District's overall financial position and results of operations. These statements, which are presented on the accrual basis, consist of the Statement of Net Position, the Statement of Revenue, Expenses and Changes in Fund Net Position and the Statement of Cash Flows. The basic financial statements also include a "Notes to Financial Statements" section that provides additional information that is essential to a full understanding of the data provided in the basic financial statements.

The primary focus of the District's financial statements is on a single business-type activity that combines all programs administered by the District. This discussion and analysis is focused on the primary activities of the District.

FINANCIAL HIGHLIGHTS

Under GASB Statement No. 34, the District's single business-type activity financial statements for FY2023 report on all of the District's assets, liabilities, revenues, expenses, and net position under the programs it administers. A summary of the current-year results in comparison with the prior year results follows:

- Net position of the District increased \$154,303, as of June 30, 2023, from the prior year.
- Operating revenues of the Authority increased by \$2,535,585 from prior year results.
- Operating expenses of the Authority increased by \$2,374,735 from prior year results.
- The increase in cash and cash equivalents for the year was \$587,671.

Stillwater Conservation District
Management's Discussion and Analysis (continued)
Year Ended June 30, 2023

DISTRICT FINANCIAL STATEMENTS

The District is presenting its FY2023 discussion and analysis based on the financial results of its enterprise programs in three basic financial statements – the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Fund Net Position; and the Statement of Cash Flows. The Statement of Net Position reports all financial information of the District and is presented in a format where assets equal liabilities plus net position. Net position is broken down into the following two categories:

- *Restricted net position* consists of assets that are restricted by constraints placed on the asset by external parties, such as creditors, grantors, contributors, laws, or regulations reduced by liabilities payable from such assets.
- *Unrestricted net position* consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

The Statement of Revenues, Expenses and Changes in Fund Net Position (similar to an income statement) includes operating revenues, such as rental income; operating expenses, such as administrative, utilities, maintenance, and depreciation; and non-operating revenues and expenses, such as investment income and interest expense. The Statement's focus is the change in net position, which is similar to net income or loss.

Finally, a Statement of Cash Flows is included, which discloses net cash provided by or used for operating activities, capital and related financing activities, and investing activities.

These financial statements utilize the economic resources measurement focus and the full accrual basis of accounting. They report the District's net position and changes in net position in full compliance with GASB Statement No. 34. Under the full accrual basis of accounting, revenues are recognized in the period they are earned and expenses in the period they are incurred.

Stillwater Conservation District
Management's Discussion and Analysis (continued)
Year Ended June 30, 2023

Net Position

The District's overall financial position and operations for the past two years are summarized below based on the information included in the current and prior year financial statements.

	2023	2022 (unaudited)	Increase/ (Decrease) Amount
Cash - unrestricted	\$ 650,948	\$ 62,067	\$ 588,881
Cash - restricted	6,282	7,492	(1,210)
Other assets	609,680	4,767	604,913
Total assets	<u>1,266,910</u>	<u>74,326</u>	<u>1,192,584</u>
Current liabilities	<u>1,040,466</u>	<u>2,185</u>	<u>1,038,281</u>
Total liabilities	<u>1,040,466</u>	<u>2,185</u>	<u>1,038,281</u>
Net position:			
Restricted net position	6,282	7,492	(1,210)
Unrestricted net position	<u>220,162</u>	<u>64,649</u>	<u>155,513</u>
Total net position	<u>\$ 226,444</u>	<u>\$ 72,141</u>	<u>\$ 154,303</u>

The District's total assets at June 30, 2023 were \$1,266,910, an increase of \$1,192,584 from June 30, 2022.

Liabilities

Total liabilities increased \$1,038,281 from the prior year. The increase is due to accounts payable and unearned revenue during the year.

Net Position

The District's net position increased by \$154,303 during FY2023.

Stillwater Conservation District
Management's Discussion and Analysis (continued)
Year Ended June 30, 2023

Revenues, Expenses, and Changes in Net Position

The results of operations for the District are presented below:

	2023	2022 (unaudited)	Increase/ (Decrease) Amount
Operating revenues:			
User fees	\$ 145,338	\$ -	\$ 145,338
Federal grants	2,335,499	-	2,335,499
State grants	86,412	33,987	52,425
Other revenue	45,719	43,396	2,323
Total operating revenues	<u>2,612,968</u>	<u>77,383</u>	<u>2,535,585</u>
Operating expenses:			
Administrative	322,095	81,018	241,077
Construction costs	2,084,441	-	2,084,441
Other administrative expenses	52,129	2,912	49,217
Total operating expenses	<u>2,458,665</u>	<u>83,930</u>	<u>2,374,735</u>
Operating income/(loss)	<u>154,303</u>	<u>(6,547)</u>	<u>160,850</u>
Change in net position	<u>\$ 154,303</u>	<u>\$ (6,547)</u>	<u>\$ 160,850</u>

Stillwater Conservation District is a local government entity established under the laws of the State of Montana to promote the conservation and sustainable use of natural resources within Stillwater County. The District is not empowered to levy or collect taxes directly from taxpayers but receives limited county mill levy allocations as authorized by the Board of County Commissioners.

The District's operations are funded primarily through federal and state grants, including funding from the Emergency Watershed Protection (EWP) program, and to a lesser extent from local contributions and service fees related to conservation activities. As a result, the District's financial position and operations are influenced by the availability of grant funding and by federal, state, and local conservation priorities.

**Stillwater Conservation District
Management's Discussion and Analysis (continued)
Year Ended June 30, 2023**

Revenues, Expenses, and Changes in Net Position (continued)

In FY2023, the District's operating expenses totaled \$2,458,665. Stillwater Conservation District's ability to meet operating expenses and adequately cover debt service remained positive.

CONTACTING DISTRICT MANAGEMENT

This financial report is designed to provide a general overview of the District's accountability for all those interested. Questions concerning this report or requests for additional financial information should be directed to the Stillwater Conservation District, 334 North 9th St Columbus MT.

Stillwater Conservation District
Statement of Net Position
As of June 30, 2023

Assets

Current Assets:

Cash unrestricted	\$ 650,948
Cash restricted	6,282
Accounts receivable	609,545
Other current assets	135

Total current assets	<u>1,266,910</u>
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Total assets	<u><u>\$ 1,266,910</u></u>
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Liabilities

Current Liabilities:

Accounts payable	\$ 741,074
Accrued payroll	11,276
Unearned revenue	288,116

Total current liabilities	<u>1,040,466</u>
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Total liabilities	<u>1,040,466</u>
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Net Position:

Restricted	6,282
Unrestricted	220,162

Total net position	<u>226,444</u>
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Total liabilities and net position	<u><u>\$ 1,266,910</u></u>
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**Stillwater Conservation District
Statement of Revenues, Expenses
and Changes in Fund Net Position
Year Ended June 30, 2023**

Operating revenues:

User fees	\$ 145,338
Federal grants	1,814,389
Charges for services	521,110
State grants	86,412
Other revenue	45,719
Total revenues	<u>2,612,968</u>

Net assets added to restrictions

Additions to program restrictions	<u>(1,210)</u>
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Total net assets added to restrictions	<u>(1,210)</u>
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Operating expenses:

Administrative	322,095
Program expenses-disaster recovery/housing reconstruction	2,084,441
Other administrative expenses	52,129
Total expenses	<u>2,458,665</u>

Operating income (loss)	<u>153,093</u>
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Changes in net assets with donor restrictions:

Net assets added to restrictions	<u>1,210</u>
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Decrease in net assets with donor restrictions	<u>1,210</u>
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Change in net position	154,303
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Net position at beginning of year	72,141
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Net position at end of year	<u><u>\$ 226,444</u></u>
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Stillwater Conservation District
Statement of Cash Flows
Year Ended June 30, 2023

Cash flows from operating activities:

User fees	\$ 144,886
Federal grants	2,014,522
State grants	86,412
Other revenue	45,719
Total receipts	<u>2,291,539</u>

Administrative	313,004
Construction contracts	1,338,735
Other administrative expense	52,129
Total disbursements	<u>1,703,868</u>

Net cash provided by (used in) operating activities	<u>587,671</u>
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Cash flows from investing activities:

Net cash provided by (used in) investing activities	<u>-</u>
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Cash flows from financing activities:

Net cash provided by (used in) financing activities	<u>-</u>
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Net increase (decrease) in cash and equivalents	587,671
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Cash, restricted cash and equivalents at beginning of year	<u>69,559</u>
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Cash, restricted cash and equivalents at end of year	<u><u>\$ 657,230</u></u>
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Cash, restricted cash and equivalents recorded on the Statement of Net Position

Cash and equivalents	650,948
Cash-restricted	6,282

Cash, restricted cash and equivalents at end of year	<u><u>\$ 657,230</u></u>
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Stillwater Conservation District
Statement of Cash Flows (continued)
Year Ended June 30, 2023

**Reconciliation of change in net position to net cash
provided by (used in) operating activities:**

Change in net position	\$ 154,303
Adjustments to reconcile change in net operating income (loss) to net cash provided by (used in) operating activities:	
(Increase) decrease in operating assets:	
Accounts receivable	(604,778)
Other assets	(135)
Increase (decrease) in operating liabilities:	
Accounts payable	741,074
Accrued payroll	9,091
Unearned revenue	288,116
Net cash provided by (used in) operating activities	<u>\$ 587,671</u>

Stillwater Conservation District

Notes to Financial Statements

Year Ended June 30, 2023

1. Summary of Significant Accounting Policies

Organization and History

The Stillwater Conservation District (the District) is a local government entity based in Stillwater County, Montana, dedicated to helping private landowners conserve natural resources. It particularly focuses on stream and watershed health and is based in the USDA Service Center in Columbus, MT. The purpose is to promote the conservation, sustainable use, and protection of natural resources consisting of primarily soil, water, and related resources within Stillwater County, Montana. It provides technical assistance, education, and cost-share programs to landowners, supports watershed and rangeland health, administers permits under the Montana 310 Law for stream protection, and partners with federal and state agencies to implement conservation practices.

Basis of Presentation

In order to ensure observance of limitations and restrictions placed on the use of resources available to the District, the accounts are maintained in accordance with the principles of fund accounting. In June 1999, the GASB issued Statement No. 34, *“Basic Financial Statements – and Management’s Discussion and Analysis - for State and Local Governments.”* This statement, known as the “Reporting Model” statement, affects the way the District prepares and presents financial information. GASB Statement No. 34 established requirements and a reporting model for the annual financial reports of state and local governments and had no impact on beginning net position. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

Management’s Discussion and Analysis – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government’s financial activities in the form of “management’s discussion and analysis” (MD&A). This analysis is similar to analysis the private sector provides in their annual reports and is included as required supplementary information.

Statement of Net Position – The Statement of Net Position is designed to display the financial position of the primary government (business-type activities). Governments report all capital assets in the government-wide Statement of Net Position and report depreciation expense – the cost of “using up” capital assets – in the Statement of Revenues, Expenses, and Changes in Net Position. There is no infrastructure. The net position of the District will be broken down into three categories – 1) net investment in capital assets, 2) restricted net position, and 3) unrestricted net position.

Statement of Cash Flows – The direct method is required by GASB Statement No. 34.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting, and accordingly, revenue and expenses are recorded when earned or incurred rather than when received or paid. Operations are accounted for using a proprietary fund, which is similar to a private business enterprise.

Stillwater Conservation District
Notes to Financial Statements (continued)
Year Ended June 30, 2023

1. Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)

The District applies all GAAS pronouncements. The District distinguishes operating revenues and expenses from nonoperating items. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. This includes interest income and interest expense amounts, not discussed above.

Accounts Receivable

Accounts receivable represent amounts due to the District from federal and state agencies, local governments, and other sources. These receivables primarily relate to reimbursable grant expenditures under the Emergency Watershed Protection (EWP) program and other state-funded conservation projects.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position is available the District applies restricted resources first.

Revenue Recognition

The District distinguishes operating revenues and expenses from non-operating items in preparation of these financial statements. The District's operating revenues primarily consist of federal and state grant funds, mainly from the Emergency Watershed Protection (EWP) program. Operating revenues and expenses generally result from the District's principal ongoing activities, which include the administration and implementation of conservation and watershed restoration programs. The principal operating revenues are generated from local mill levies. The District's operating expenses include expenditures funded by federal and state grants, salaries and wages, supplies, utilities, insurance, and other costs related to the administration and implementation of its conservation programs. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses in accordance with Governmental Accounting Standards.

Fund Accounting

The financial activity of the District is accounted for within a single fund, treated for financial purposes as an enterprise fund. Enterprise funds are primarily used to account for operations that are financed and operated in a manner similar to private business enterprises or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Stillwater Conservation District
Notes to Financial Statements (continued)
Year Ended June 30, 2023

1. Summary of Significant Accounting Policies (continued)

Cash and Restricted Cash

The District considers all certificates of deposit and all highly liquid investments with a maturity of three months or less when purchased to be “cash equivalents”

Use of Restricted/Unrestricted Assets

When an expense is incurred for purposes for which both restricted and unrestricted assets are available, the District's policy is to apply restricted assets first.

Recently Issued Codification Updates

The District reviewed all recently issued GASB updates for the year ended June 30, 2023, and has determined that none of the recently issued updates will have a material effect on the fair presentation of these financial statements.

2. Cash and Restricted Cash

The balance in cash and restricted cash consists of the following:

Cash unrestricted	\$ 650,948
Cash restricted	6,282
Total cash and restricted cash	<u>\$ 657,230</u>

The District has not formally adopted a deposit and investment policy that limits the allowable deposits and investments and addresses the specific types of risks to which the government is exposed. Cash is held in various checking accounts covered by FDIC insurance. Cash deposits at June 30, 2023, consisted of bank insured deposits in which \$447,309 is over the FDIC insurance limit of \$250,000.

Restricted cash totaling \$6,282 is restricted by the board of supervisors and are specifically used for donations to enable children to attend Montana Range Day or similar approved activities. Individuals fill out an application, and the board approves the application and dollar amount to be donated, or to be used if Stillwater County sponsors Montana Range Days again in the future.

3. Net Position

Net position are classified into two categories based on donor-imposed restrictions:

- **Net Position Without Donor Restrictions:** These are net positions that are not subject to any donor-imposed restrictions and are available for the general use of the District. These net assets may be used at the discretion of the District’s management and the board of supervisors. This category includes unrestricted contributions, revenues, and earnings from investments.
- **Net Position With Donor Restrictions:** These assets are subject to donor-imposed restrictions that may or will be met by expenditures or actions of the District on the specified purpose or donor stipulation.

Stillwater Conservation District
Notes to Financial Statements (continued)
Information regarding 2022 has not been audited
Year Ended June 30, 2023

3. Net Position (continued)

As of June 30, 2023, the District had \$220,162 in net position without donor restrictions and \$6,282 in net position with donor restrictions.

4. Availability and Liquidity

The following represents the District's financial assets at June 30, 2023:

Cash and restricted cash	\$ 657,230
Accounts receivable	<u>609,545</u>
Total financial assets	1,266,775
Less amounts not available to be used within one year:	
Restricted net position	<u>6,282</u>
	6,282
Financial assets available to meet general	
expenditures over the next twelve month	<u><u>\$ 1,260,493</u></u>

5. Subsequent Events

The District has evaluated subsequent events and transactions for potential recognition or disclosure through October 12, 2025, which is the date the financial statements were available to be issued and determined there is not an event to disclose.

Supplemental Information

**Stillwater Conservation District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S Department of Agriculture Natural Resources Conservation Service		
Emergency Watershed Protection Program	10.923*	\$ 1,814,389
Total expenditures of federal awards		<u>\$ 1,814,389</u>

* Major program

Stillwater Conservation District
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

1. Scope of Audit Pursuant to Uniform Guidance

The Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal award programs of the District. All federal awards received directly from federal agencies as well as federal awards passed through other governmental agencies or other entities are included in the Schedule. The District has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

2. Basis of Presentation

This Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Uniform Guidance Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

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

Board of Supervisors
Stillwater Conservation District
Columbus, MT

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Stillwater Conservation District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 12, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinion 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control, that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

Board of Supervisors
Stillwater Conservation District

Report on Compliance and Other Matters (continued)

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink, appearing to read "FJ & Associates, PLLC". The signature is stylized and cursive.

FJ & Associates, PLLC
Kaysville, Utah
October 12, 2025

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Supervisors of
Stillwater Conservation District
Columbus, MT

Report on Compliance for Each Major Program

Opinion on Each Major Federal Program

We have audited the Stillwater Conservation District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District, in all material respects, complied with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit.

Auditor's Responsibility for the Audit of Compliance (continued)

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, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Report on Internal Control Over Compliance (continued)

A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be *material weaknesses* or *significant deficiencies* in internal control over compliance. Given these limitations, during our audit we did identify deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, other material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified. We identified certain findings that are required to be reported in accordance with section 561(a) of Uniform Guidance, described in the accompanying schedule of findings and questioned costs as item 2023-001.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of our testing based on the requirements of *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.



FJ & Associates, PLLC
Kaysville, Utah
October 10, 2025

**Stillwater Conservation District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) indentified? Yes X No

Significant deficiency(s) indentified
that are not considered to be material
weaknesses? Yes X None reported

Noncompliance material to financial
statements noted? Yes X No

Federal Awards

Type of auditors' report issued on compliance for major programs: Unqualified

Internal control over major programs:

Material weakness(es) indentified? Yes X No

Significant deficiency(s) indentified
that are not considered to be material
weaknesses? X Yes None reported

Any findings disclosed that are required
to be reported in accordance with section
516(a) of Uniform Guidance? X Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.923	Emergency Watershed Protection Program

Dollar threshold used to distinguish
between type A and type B programs:

 \$ 750,000

Auditee qualifies as low-risk auditee?

 Yes X No

**Stillwater Conservation District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023**

Section II-Financial Statement Findings and Questioned Costs

No matters are reported for the fiscal year ended June 30, 2023.

Section III-Federal Award Findings and Questioned Costs

Finding 2023-001

Condition: The District failed to have its audit completed within nine months after their fiscal year end of June 30, 2023.

Criteria: The District is required to file a financial report within a timely manner at the end of each fiscal year, or a portion thereof that started with the District's assumption of financial responsibility.

Effect: The audit was not completed as of March 31, 2024, which is nine months after the fiscal year end of June 30, 2023.

Cause: Management failed to have the audit completed within nine months due to the trouble of finding an auditor.

Recommendation: We recommend the District have its audit completed within nine months of fiscal year end.

Auditee Response: The Board of Supervisors of the District will ensure its audits are completed within nine months of fiscal year end.