

**LAKE AGASSIZ REGIONAL COUNCIL
FARGO, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Lake Agassiz Regional Council
Fargo, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Lake Agassiz Regional Council, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Lake Agassiz Regional Council's basic financial statements as listed in the table of contents.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, and evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Lake Agassiz Regional Council as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 22 - 23 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. 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 basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lake Agassiz Regional Council's basic financial statements. The schedule of expenditures of federal awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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. Such 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 expenditures of federal awards is fairly stated, in all material respects, in relation to the basic 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 July 1, 2020, on our consideration of Lake Agassiz Regional 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 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 Lake Agassiz Regional Council's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES
FARGO, NORTH DAKOTA**

July 1, 2020

LAKE AGASSIZ REGIONAL COUNCIL
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 31,337
Restricted cash	203,077
Accounts receivable	98,909
Loans receivable, net	<u>1,175,443</u>
Total assets	<u>\$ 1,508,766</u>
Liabilities:	
Accounts payable	\$ 1,720
Accrued expenses	<u>8,688</u>
Noncurrent liabilities:	
Due within one year	122,358
Due in more than one year	<u>343,058</u>
Total liabilities	<u>475,824</u>
Deferred inflows of resources:	
Deferred revenue	<u>10,619</u>
Net position:	
Restricted net position	902,416
Unrestricted net position	<u>119,907</u>
Total net position	<u>\$ 1,022,323</u>

See Notes to the Financial Statements

LAKE AGASSIZ REGIONAL COUNCIL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Functions/programs	Expenses	Program Revenues		Net (expenses)
		Charges for services	Operating grants and contributions	revenues and changes in net position
				Governmental activities
Governmental activities:				
Current:				
Administrative	\$ 27,069	\$ 99,267	\$ 103,200	\$ 175,398
Grant	94,292	-	94,292	-
Loan closing costs	278	-	-	(278)
Insurance	8,304	-	-	(8,304)
Bad debt and change in allowance	159,955	-	-	(159,955)
Other	11,638	-	-	(11,638)
Rent	9,120	-	-	(9,120)
Utilities	1,995	-	-	(1,995)
Professional services	13,200	-	-	(13,200)
Contracted services	75,000	-	-	(75,000)
Salaries & benefits	131,250	-	-	(131,250)
Interest	11,711	60,797	-	49,086
Total governmental activities	543,812	160,064	197,492	(186,256)
General revenues:				
				Miscellaneous
				96,838
				Total general revenues
				96,838
				Changes in net position
				(89,418)
				Total net position - beginning
				1,111,741
				Total net position - ending
				\$ 1,022,323

See Notes to the Financial Statements

LAKE AGASSIZ REGIONAL COUNCIL
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	General fund	EDA revolving loan fund	Community Development Loan fund	Grant fund	Total governmental funds
Assets:					
Cash and cash equivalents	\$ 31,337	\$ -	\$ -	\$ -	\$ 31,337
Restricted cash	-	171,246	21,212	10,619	203,077
Accounts receivable	98,909	-	-	-	98,909
Loans receivable, net	-	728,545	446,898	-	1,175,443
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 130,246</u>	<u>\$ 899,791</u>	<u>\$ 468,110</u>	<u>\$ 10,619</u>	<u>\$ 1,508,766</u>
Liabilities:					
Accounts payable	\$ 1,651	\$ 69	\$ -	\$ -	\$ 1,720
Accrued expenses	568	-	-	-	568
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>2,219</u>	<u>69</u>	<u>-</u>	<u>-</u>	<u>2,288</u>
Deferred inflows of resources:					
Unavailable revenue	-	-	-	10,619	10,619
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund balance:					
Restricted - loan & grant programs	-	899,722	468,110	-	1,367,832
Unassigned	128,027	-	-	-	128,027
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>128,027</u>	<u>899,722</u>	<u>468,110</u>	<u>-</u>	<u>1,495,859</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 130,246</u>	<u>\$ 899,791</u>	<u>\$ 468,110</u>	<u>\$ 10,619</u>	<u>\$ 1,508,766</u>

See Notes to the Financial Statements

LAKE AGASSIZ REGIONAL COUNCIL
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2019

Total Fund Balances for Governmental Funds \$ 1,495,859

Amounts presented for governmental activities in the statement of
Net Position are different because:

Long-term liabilities applicable to the Council's governmental activities are not
due and payable in the current period and accordingly are not reported as
fund liabilities. All liabilities - both current and noncurrent are reported in
the Statement of Net Position. Balance at December 31, 2019 is:

Accrued expenses	(8,120)
Long-term debt	<u>(465,416)</u>

Total net position \$ 1,022,323

LAKE AGASSIZ REGIONAL COUNCIL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	General fund	EDA revolving loan fund	Community Development Loan Fund	Grant fund	Total governmental funds
Revenues:					
Administrative	\$ 97,348	\$ 1,874	\$ 45	\$ -	\$ 99,267
Federal grants	70,000	-	-	-	70,000
State grants	-	-	-	94,292	94,292
Local support	33,200	-	-	-	33,200
Interest income	41	42,507	18,249	-	60,797
Bad debt recovery and change in allowance	-	-	2,000	-	2,000
Miscellaneous	96,839	-	-	-	96,839
Total revenues	297,428	44,381	20,294	94,292	456,395
Expenditures:					
Current:					
Administrative	27,069	-	-	-	27,069
Grants	-	-	-	94,292	94,292
Loan closing costs	-	278	-	-	278
Insurance	8,304	-	-	-	8,304
Bad debt expense and change in allowance	-	159,955	-	-	159,955
Other	10,968	640	30	-	11,638
Rent	9,120	-	-	-	9,120
Utilities	1,995	-	-	-	1,995
Professional services	13,200	-	-	-	13,200
Contracted services	75,000	-	-	-	75,000
Salaries & benefits	131,250	-	-	-	131,250
Debt service:					
Principal	-	-	231,103	-	231,103
Interest	-	-	11,711	-	11,711
Total expenditures	276,906	160,873	242,844	94,292	774,915
Excess (deficiency) of revenues over (under) expenditures	20,522	(116,492)	(222,550)	-	(318,520)
Other financing sources (uses):					
Transfers in	21,875	-	-	-	21,875
Transfers out	-	(19,330)	(2,545)	-	(21,875)
Total other financing sources (uses)	21,875	(19,330)	(2,545)	-	-
Net change in fund balances	42,397	(135,822)	(225,095)	-	(318,520)
Fund balance - beginning of year	85,630	1,035,544	693,205	-	1,814,379
Fund balance - end of year	\$ 128,027	\$ 899,722	\$ 468,110	\$ -	\$ 1,495,859

See Notes to the Financial Statements

LAKE AGASSIZ REGIONAL COUNCIL
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Net change in fund balances - total governmental funds \$ (318,520)

Amounts reported for governmental activities in the Statement of
 Activities are different because:

Governmental funds report repayment of principal on long-term liabilities
 as an expenditure because the repayments use current financial resources.
 In contrast, the repayments reduce the balance of the long-term liabilities
 in the Statement of Net Position. 231,102

The reporting of loans receivable on the balance sheet is offset by a
 reserved fund balance. The change in the allowance for doubtful receivables
 decreases the long-term liabilities in the Statement of Net Position rather
 than decreasing the fund balance. (2,000)

Changes in net position of governmental activities \$ (89,418)

LAKE AGASSIZ REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Lake Agassiz Regional Council (Council) was organized as a public non-profit corporation in 1974 to address the resource conservation and community development needs of the southeastern North Dakota counties of Cass, Ransom, Richland, Sargent, Steele and Traill. The Council provides a broad array of services and programs to communities throughout its service area, including economic development planning, business lending, resource conservation, and community development.

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Council are included in the statement of net position.

Government-wide financial statements are prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements display information about the Council as a whole. The activities reported include all of the financial activities of the Council.

The statement of net position presents the financial condition of the governmental activities of the Council at year-end.

The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Council's governmental activities. The statement identifies the extent to which each governmental function is self-financing or drawing from the general revenues of the Council.

Direct expenses are expenses that are specifically associated with a service, program, or department. The direct expenses are clearly identifiable to a particular function. Program revenues include charges to recipients for goods or services offered by the program, grants, and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Council.

Fund Financial Statements

The governmental funds are accounted for using a flow of current financial resources measurement focus. Under this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources and uses of current financial resources.

LAKE AGASSIZ REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

The Council's governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Council considers revenues to be available if they are collected within 60 days of the end of its fiscal year. Expenditures are generally recorded as the related fund liability is incurred. The following revenues are susceptible to accrual under the modified basis of accounting:

Federal, state, and local support

Funds for which the Council serves in a fiscal agent-like capacity in the area it serves.

The current financial resources measurement focus differs from the manner that the governmental activities of the government-wide financial statements are prepared. Due to the difference, the Council's financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds.

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Typically, aggregated information for the non-major governmental funds is reported in a single column in the fund financial statements. Currently, all funds of the Council are considered major in the fund financial statements.

Description of Funds

The accounts of Lake Agassiz Regional Council are organized into four separate major funds, as follows:

General Fund

Accounts for general operating revenues and expenditures not accounted for elsewhere.

EDA Revolving Loan Fund

Accounts for operations of revolving loan program for qualifying small businesses. The Council receives interest on the loan repayments and a portion for administering the program.

Community Development Loan Fund

Accounts for operations of community development loan program for qualifying borrowers. The Council receives interest on the loan repayments and as a portion for administering the program.

Grant Fund

Accounts for the revenues and expenditures of specific grant programs.

LAKE AGASSIZ REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

With the exception of the General fund, all assets, liabilities, and fund balances of each fund are required to be returned to the granting agency if the programs are discontinued.

Non-Major Governmental Funds

Typically, aggregated information for the non-major governmental funds is reported in a single column in the fund financial statements. Currently, all funds of the Council are considered major in the fund financial statements.

Fund Balances

The difference between assets and liabilities is “fund balance” on the governmental fund financial statements. In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned. No minimum fund balance is required.

Nonspendable fund balance represents a portion of fund balance that includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. At December 31, 2019, the Council did not have any nonspendable funds.

Restricted fund balance represents a portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Council’s highest level of decision-making authority. At December 31, 2019, the Council did not have any funds committed.

Assigned fund balance represents amounts constrained by the Council’s intent to be used for specific purposes, but neither restricted nor committed. The assigned amounts are determined by the Board of Directors. At December 31, 2019, the Council did not have any funds assigned.

Unassigned fund balance represents residual classification for the General fund. This classification represents fund balance not assigned to other funds and not restricted, committed, or assigned for specific purposes within the General fund. The General fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned for those purposes, it would be necessary to report a negative unassigned fund balance.

When both restricted and unrestricted fund balances are available, restricted fund balance takes priority and will be utilized first. When committed, assigned, and/or unassigned fund balances are available, committed fund balance takes priority and will be utilized first.

LAKE AGASSIZ REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

Net Position

In the government-wide financial statements, equity is classified as “net position,” and is the difference between total assets plus deferred outflows of resources, less total liabilities less deferred inflows of resources. Net position is further categorized into the following three components:

Restricted Net Position

Consists of equity with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position

Comprises all other equity that does not meet the definition of “restricted” or “Net investment in capital assets.”

Interfund Transactions

The Council has the following types of transactions among funds:

Nonreciprocal Interfund Transfers

Flows of resources between funds without equivalent flows of resources in return and without a requirement for repayment. This includes the transfer of interest collected in the EDA Revolving Loan and Community Development Loan Funds to the General Funds (see Note 3).

Nonreciprocal Interfund Reimbursements

Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them (see Note 10).

Transactions that fall into these two categories are eliminated in the government-wide financial statements.

Basis of Presentation

The financial statements of the Council have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the

LAKE AGASSIZ REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Grant Fund

The Council serves in a fiscal agent-like capacity for several cities and counties in the area it serves. The Council is the recipient of Agricultural Products Utilization (APUC) and Environmental Protection Agency (EPA) Grants, the funds of which are passed-through to other third-party grantees, as specified by the grant awards. Undispersed funds are accounted for as restricted cash, with an equal and offsetting amount of unavailable revenue. As funds are disbursed by the Council to the grantee, grant revenue is recognized, along with an equal and offsetting amount of expense.

Accounts Receivable

Accounts receivable represents credit extended by the Council to its customers. Balances outstanding more than 30 days are subject to a service charge. As of December 31, 2019, the Council's accounts receivable did not include any balances outstanding more than 30 days.

The Council uses the allowance method to account for bad debts. Allowances are established based upon management's estimate of the collectability of the accounts and review of past collection experience. As of December 31, 2019, no allowance was deemed necessary.

Deferred Inflows of Resources

As sources of revenue become measurable, even though not currently available, they are recorded as unavailable revenue, and offset with an equal amount of receivable, in the governmental funds. When the sources of revenue become available for use, they are recognized as revenue, and the receivables are reduced by the amounts collected. These transactions generally occur within the Grant fund as they relate to the APUC grants.

Vacation and Sick Leave

Lake Agassiz Regional Council employees are granted vacation and sick leave in varying amounts. Employees terminating their employment in good standing shall be paid for all earned vacation leave. Vacation leave accumulated is reported as an expense when accrued for in the government-wide financial statements.

Allocation of Cost

A method of cost allocation is utilized by the Council, whereby employee time records are maintained and used to specifically allocate costs to various program functions. An hourly rate is assigned to each employee based on direct salary costs. Indirect costs are allocated on the basis of a percentage of direct salary costs. Costs that can be identified with a specific program are charged directly to that program.

LAKE AGASSIZ REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

Income Taxes

According to GAAP, the Council is required to record a liability for uncertain tax positions when it is more likely than not that a loss has been incurred and the amount can be reasonably estimated. As of December 31, 2019, no such liability existed. Management will continually evaluate expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings.

Fundraising

There are no material fund raising expenses to be disclosed for the year presented.

Contingencies

From time-to-time, the Council has bank balances in excess of the federally insured limits.

NOTE 2 CASH AND CASH EQUIVALENTS

The Council's funds are required to be deposited and invested with the designated depositories in accordance with the laws of North Dakota. North Dakota laws require all public deposits be protected by insurance, surety bond, or collateral pledged by the financial institution. Pledged collateral must equal 110% of the deposits not covered by insurance or bonds.

In accordance with North Dakota laws, the Council maintains deposits at a depository authorized by the Board. All deposits held are protected by insurance or collateral pledged by the financial institution.

Credit Risk

North Dakota laws restrict allowable investments for public funds in order to safeguard the principle on investments. North Dakota law authorizes political subdivisions to invest surplus funds in:

- a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities or organizations created by an act of Congress.
- b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.
- c) Certificates of deposit fully insured by the Federal Deposit Insurance Corporation of the state.
- d) Obligations of the state.

Interest Rate Risk

The Council does not have a formal deposit policy that limits deposit maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

LAKE AGASSIZ REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

Restricted Cash

The Council is required to keep administrative records to track income, expenses, and capital based under the revolving loan programs. Cash received and maintained under these programs is considered restricted based on grant awards. Undispersed APUC funds are also considered restricted cash, as these funds are not for the use of the Council, as specified by the grant awards.

The Council maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed the federally insured limits as guaranteed by the Federal Deposit Insurance Corporation. The Corporation maintains its cash and cash equivalents deposits in large, well-capitalized institutions. The Corporation has not experienced any losses in such accounts nor does it believe it is exposed to any significant credit risk on cash and cash equivalents.

NOTE 3 LOANS RECEIVABLE

The Council is in charge of payment collection and administrative duties for the Community Development Loan Fund (CDLF) Program. The Council performs loan underwriting and recommends funding of such loans to the North Dakota Division of Community Services after the approval by the Council's Loan Committee. The Council bears no financial obligation for repayment to North Dakota Division of Community Services should any defaults occur. The respective city accepts all risk related to the making, enforceability, and collectability of any loans. The Council collects payments on the outstanding loans and remits them to the North Dakota Division of Community Services. As compensation for these duties the Council receives twenty-five to fifty percent of the interest collected.

The Council also acts as an intermediary under the U.S. Department of Commerce Economic Development Administration (EDA) Revolving Loan Program. Under this program, the EDA grants funds to the Council, who in turn lends the funds to qualifying borrowers.

The following schedule shows the components of loans receivable at December 31, 2019:

CDLF program:	
Principal loan balance	\$ 964,898
Allowance for uncollectible loans	<u>(518,000)</u>
CDLF loans, net	<u>446,898</u>
EDA revolving loan program:	
Principal loan balance	892,545
Allowance for uncollectible loans	<u>(164,000)</u>
EDA revolving loans, net	<u>728,545</u>
Total loan balance, net of allowance for uncollectible loans	<u><u>\$ 1,175,443</u></u>

LAKE AGASSIZ REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

The Council uses the allowance method in accounting for bad debts. They provide allowances for uncollectible loans equal to the estimated losses that will be incurred in the collection of the loans. The estimated losses are based on historical collection experience coupled with a review of the current status of existing loans. The allowance for uncollectible loans totaled \$682,000 at December 31, 2019.

At December 31, 2019, loans receivable consists of the following:

Investment in loans past due 90 days or more and still accruing interest	\$ 210,214
Carrying amount of loans that serve as collateral for borrowings	964,898

Loans are considered past due based upon the terms of the loan agreements which outline the required repayment amounts and due dates. Management reviews loans individually and, based upon its judgment and negotiations with borrowers, will periodically place loans on nonaccrual status due to delinquency of repayment. When such a situation occurs, any and all subsequent payments received from the borrower are applied to principal only. The status of nonaccrual loans is continually monitored, until management determines that either the nonaccrual status no longer applies, at which time the accrual of interest resumes, or the loan should be written off. The amount of loans serving as collateral for borrowings relate to the CDLF program.

Loans with payments outstanding more than 30 days are subject to a service charge. Loans are written off when management has explored all avenues for collection. Loan write-offs are approved by the Board of Directors.

The following schedule shows the components of loans receivable at December 31, 2019:

	<u>Current</u>	<u>30-59 days</u>	<u>60-89 days</u>	<u>90 + days</u>
CDLF Program				
Industry:				
Manufacturing	\$ 312,876	\$ -	\$ -	\$ -
Other	85,765	-	-	-
Retail	2,042	-	-	-
Service	253,300	-	-	210,214
Wholesale	100,701	-	-	-
Total	<u>\$ 754,684</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 210,214</u>
EDA revolving loan program				
Industry:				
Lodging/ restaurants/ caterers	\$ 41,762	\$ 1,526	\$ -	\$ -
Retail	434,701	-	-	-
Service	403,691	-	-	-
Wholesale	10,866	-	-	-
Total	<u>\$ 891,020</u>	<u>\$ 1,526</u>	<u>\$ -</u>	<u>\$ -</u>

LAKE AGASSIZ REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

As a result of limitations with the loan software in use by the Council, the above aging schedule presents payment amounts past due which contain both principal and interest. In addition, any and all loans not represented in the above aging schedule are considered to be current by the Council.

Interest income on loans receivable is recorded when received from the borrower. Due to the fact that the loans are made to aid the start-up of businesses, and that extensions of due dates and payments are commonly made, interest receivable has not been accrued and recorded as of the balance sheet date. The accrued interest amounts are instead tracked separately and recorded when the collection of payments has occurred. This method approximates GAAP.

The following table shows the loans allocated by management internal risk ratings as of December 31:

Loans by risk category:					
Risk rate	Level 1	Level 2	Level 4	Level 5	Total loans
% Allowance	0%	0%	20%	100%	Receivable
CDLF program					
Manufacturing	\$ 12,876	\$ -	\$ -	\$ 300,000	\$ 312,876
Other	16,860	-	-	68,905	85,765
Retail	-	-	2,042	-	2,042
Service	321,415	5,099	-	137,000	463,514
Wholesale	100,701	-	-	-	100,701
CDLF total	<u>\$ 451,852</u>	<u>\$ 5,099</u>	<u>\$ 2,042</u>	<u>\$ 505,905</u>	<u>\$ 964,898</u>
EDA loan program					
Lodging/ restaurants/ caterers	\$ 41,762	\$ -	\$ -	\$ -	\$ 41,762
Retail	263,360	-	172,866	-	436,226
Service	310,562	93,129	-	-	403,691
Wholesale	10,866	-	-	-	10,866
CDLF total	<u>\$ 626,550</u>	<u>\$ 93,129</u>	<u>\$ 172,866</u>	<u>\$ -</u>	<u>\$ 892,545</u>

NOTE 4 LONG-TERM DEBT

Long-term debt is comprised of a payable to the North Dakota Division of Community Services for loans to qualified borrowers under the CDLF Program. The Council collects payments on the outstanding loans and forwards payments to the State Agency. Interest rates on the outstanding loans range from 3.00% to 5.00%.

The balance due at December 31, 2019, was \$465,416, and is net of the allowance for uncollectible loans, which reflects the fact that the Council is not responsible for repaying the debt on any loans receivable which are deemed worthless.

LAKE AGASSIZ REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

The following is a summary of changes in long-term indebtedness of the Council for the year ended December 31, 2019:

	<u>ND Division of Community Services</u>
Beginning balance	\$ 1,214,519
Amount retired	<u>(231,103)</u>
Ending balance	<u>\$ 983,416</u>
Amount due within one year	<u>\$ 640,358</u>

The following is a schedule of principal and interest payments due on the above debt as of December 31:

	Principal	Interest	Total
2020	\$ 640,358	\$ 14,326	\$ 654,684
2021	66,678	10,292	76,970
2022	32,646	8,740	41,386
2023	33,163	8,222	41,385
2024	33,696	7,690	41,386
2025-2029	125,519	16,439	141,958
2030-2034	51,356	5,064	56,420
	983,416	70,773	1,054,189
Less: allowance	518,000	-	518,000
Total	\$ 465,416	\$ 70,773	\$ 536,189

NOTE 5 RELATED-PARTY TRANSACTIONS

As previously disclosed, the Council administers the CDLF program on behalf of the North Dakota Division of Community Services, and bears no financial obligation for any uncollectible loans. At management's determination, past due CDLF program loans are classified as current, and are offset by an equal amount of allowance. The total amount of principal payments due within 2019, as presented in the preceding schedule, includes these amounts.

The Council shares staff and facilities with Lake Agassiz Regional Development Corporation, a 501(c)(3) organization whose purpose is to provide community planning and economic development assistance to primarily, but not limited to, a six-county region in southeastern North Dakota.

The Council reimburses Lake Agassiz Regional Development Corporation for its share of staffing and facility expenses. For 2019, the amount of these expenses totaled \$100,143, of which \$451 remains in accounts payable at December 31, 2019.

LAKE AGASSIZ REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 6 RETIREMENT PLAN

In 2018 the Council established a profit-sharing and savings plan which qualifies under Section 401(k) of the Internal Revenue Code, which replace the SIMPLE IRA plan. The plan allows eligible employees to contribute up to 5% of their compensation, while the Council matches 80% of the employee's contribution, up to 4% maximum. The plan covers all employees that are at least 21 years of age and have 6 months of service with the Council. Contributions totaled \$4,314 and \$4,230 in 2019 and 2018, respectively and is included in salaries and benefits on the statement of activities.

NOTE 7 VACATION AND SICK LEAVE

The table below sets forth a summary of changes in accrued vacation leave:

Balance, January 1, 2019	\$ 8,120
Earned	7,178
Used	<u>(6,610)</u>
Balance, December 31, 2019	<u>\$ 8,688</u>
Due within one year	<u>\$ 8,688</u>

The General fund is typically used to liquidate the accrued balances.

NOTE 8 RISK MANAGEMENT

As disclosed above, the Council has significant loans receivable in the EDA Revolving Loan Fund. There is significant credit risk in this lending process. The Council provides allowances for estimated uncollectible loans and follows sound lending practices to minimize that risk.

The Council is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets; errors and omissions insurance; injuries to employees; and natural disasters. Management believes the current insurance coverage is adequate.

NOTE 9 REPORTING ENTITY

The Council, in accordance with GASB, has developed criteria to determine whether outside agencies with activities which benefit the Council should be included within its financial reporting entity. The criteria include, but are not limited to, whether the Council exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of public service and special financing relationships. The Council has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the Council's financial statements.

LAKE AGASSIZ REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 10 TRANSFERS

The following is a summary of transfers from various funds to the General Fund during the year ended December 31, 2019:

EDA Revolving Loan Fund	\$ 19,330
Community Development Loan Fund	2,545
Total Transfers to General Fund	<u>\$ 21,875</u>

All transfers to the General Fund were for administrative expenses.

NOTE 11 RECENT ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

Management has not yet determined what this pronouncement will have on the Council's financial statements.

With the exception of the new standard discussed above, management has not identified any other new accounting pronouncements that have potential significance to the Council's financial statements.

NOTE 12 SUBSEQUENT EVENTS

The Council has evaluated subsequent events through July 1, 2020, which is the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Federal, state, and local governments have since implemented various restrictions on travel, public gatherings, and business operations. While the Council's office has remained open, the restrictions and government social distancing recommendations have dramatically impacted the economy. The extent of the impact on the Council is uncertain although they may be in a unique position to see their operations grow during the pandemic as they offer funding and financial assistance to organizations and communities. The final economic impact of the COVID-19 pandemic is unknown at this time.

SUPPLEMENTARY INFORMATION

LAKE AGASSIZ REGIONAL COUNCIL
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Original budget	Final budget	Actual	Variance favorable (unfavorable)
Revenues:				
Administrative	\$ 117,774	\$ 117,774	\$ 97,348	\$ (20,426)
Federal Grants	70,000	70,000	70,000	-
Local Support	33,200	33,200	33,200	-
Interest Income	-	-	41	41
Miscellaneous	94,050	94,050	96,839	2,789
Total Revenues	<u>315,024</u>	<u>315,024</u>	<u>297,428</u>	<u>(17,596)</u>
Expenditures:				
Current:				
Administrative	31,010	31,010	27,069	3,941
Insurance	8,340	8,340	8,304	36
Other	10,980	10,980	22,083	(11,103)
Professional services	15,120	15,120	13,200	1,920
Contracted services	75,000	75,000	75,000	-
Salaries & benefits	130,980	130,980	131,250	(270)
Total expenditures	<u>271,430</u>	<u>271,430</u>	<u>276,906</u>	<u>(5,476)</u>
Revenues over (under) expenditures	43,594	43,594	20,522	(23,072)
Other financing sources:				
Transfers in	-	-	21,875	21,875
Total other financing sources	43,594	43,594	42,397	(1,197)
Fund balance - beginning of year	<u>85,630</u>	<u>85,630</u>	<u>85,630</u>	<u>-</u>
Fund balance - end of year	<u>\$ 129,224</u>	<u>\$ 129,224</u>	<u>\$ 128,027</u>	<u>\$ (1,197)</u>

See Notes to the Budgetary Comparison Schedule for the General Fund

LAKE AGASSIZ REGIONAL COUNCIL
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The budgetary comparison schedule contains the budget for the General fund and was prepared on the modified-accrual basis. No budgets have been legally adopted, nor are they required, for the major special revenue funds, and thus, are not presented. All unencumbered appropriations in the General fund lapse at year end.

NOTE 2 EXPENDITURES IN EXCESS OF BUDGET

The budgetary comparison schedule for the General fund contains two categories of expenses where the actual amount expended exceeds the amount budgeted. Other expense exceeded the budgeted amount by \$11,103 and salaries and benefits exceeded the budgeted amount by \$270.

LAKE AGASSIZ REGIONAL COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Commerce:		
Economic Development Administration Planning Grant (Direct)	11.302	\$ 70,000
Economic Development Administration Revolving Loan Fund (Direct)	11.307	<u>1,144,472</u>
Total U.S. Department of Commerce:		1,214,472
U.S. Department of Housing and Urban Development:		
Community Development Block Grant Revolving Loan Fund (Passed through from the Department of Housing and Urban Development - State of North Dakota)	14.228	<u>1,193,977</u>
Total Expenditures of Federal Awards		<u><u>\$ 2,408,449</u></u>

See Notes to the Schedule of Expenditures of Federal Awards

LAKE AGASSIZ REGIONAL COUNCIL
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 2 INDIRECT COST RATE

The Council has not elected the minimum indirect cost rate provided for by The Uniform Guidance, which allows for the allocation of 10% of modified total direct costs (direct salaries and wages, applicable fringe benefits, materials and supplies, services, and travel).

NOTE 3 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Lake Agassiz Regional Council under programs of the federal government for the year ended December 31, 2019. The information presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Lake Agassiz Regional Council, it is not intended to and does not present the financial positions, changes in net assets, or cash flows of Lake Agassiz Regional Council.

NOTE 4 LOANS OUTSTANDING

The calculation of total federal expenditures for the Economic Development Administration Revolving Loan Fund (EDA RLF) program (CFDA 11.307) are as follows:

	EDA RLF
Balance of loans receivable at December 31, 2019	\$ 892,943
Cash, cash equivalents and Investments	171,244
Administrative expenses	19,330
Unpaid principal of loans written off during the year ended December 31, 2019	60,955
 Total Expenditures of Federal Awards	 \$ 1,144,472

LAKE AGASSIZ REGIONAL COUNCIL
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS -
CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

The calculation of total federal expenditures for the Community Development Block Grant Revolving Loan Fund (CDBG RLF) program (CFDA 14.228) includes the loan receivable balances as of January 1, 2019 and the program administration expenses. The calculation of total federal expenditures are as follows:

Balance of loans receivable at January 1, 2019	\$ 1,191,432
Administrative fees	<u>2,545</u>
Total Expenditures of Federal Awards	<u><u>\$ 1,193,977</u></u>

The balance of notes receivable in the CDBG RLF as of December 31, 2019 is \$964,898.

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

To the Board of Directors of
Lake Agassiz Regional Council
Fargo, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Lake Agassiz Regional Council, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Lake Agassiz Regional Council's basic financial statements, and have issued our report thereon dated July 1, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lake Agassiz Regional Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lake Agassiz Regional Council's internal control. Accordingly, we do not express an opinion on the effectiveness of Lake Agassiz Regional 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

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

Lake Agassiz Regional Council's Response to Findings

Lake Agassiz Regional Council's responses to the findings identified in our audit are described in the schedule of findings and questioned costs. Lake Agassiz Regional Council's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



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

July 1, 2020

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

To the Board of Directors of
Lake Agassiz Regional Council
Fargo, North Dakota

Report on Compliance for Each Major Federal Program

We have audited Lake Agassiz Regional Council's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lake Agassiz Regional Council's major federal programs for the year ended December 31, 2019. Lake Agassiz Regional Council's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lake Agassiz Regional Council's major federal programs based on our audit of the types of compliance requirements referred to above. 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 (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lake Agassiz Regional Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Lake Agassiz Regional Council's compliance.

Opinion on Each Major Federal Program

In our opinion, Lake Agassiz Regional Council complied, in all material respects, 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 December 31, 2019.

Report on Internal Control Over Compliance

Management of Lake Agassiz Regional Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lake Agassiz Regional Council's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lake Agassiz Regional Council's 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. A *significant deficiency in internal control over compliance* is a deficiency, or a 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 attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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 that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Brady Martz". The signature is written in a cursive, flowing style.

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

July 1, 2020

LAKE AGASSIZ REGIONAL COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2019

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None Reported

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

Any findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

CFDA Number(s)

Name of Federal Program or Cluster

14.228

U.S. Department of Housing and Urban Development:
 Community Development Block Grant Revolving Loan Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

LAKE AGASSIZ REGIONAL COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
DECEMBER 31, 2019

Section II – Financial Statement Findings

2019-001 Financial Statement Preparation

Criteria – An appropriate system of internal control requires Lake Agassiz Regional Council to prepare statements in compliance with accounting principles generally acceptable in the United States of America.

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

Cause – Lake Agassiz Regional Council elected to not allocate resources for the preparation of the financial statements.

Effect – There is an increased risk of material misstatement to the entity’s financial statements.

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

Indication of Repeat Finding

This is a repeat finding of finding 2018-001 from the prior year.

Section III – Federal Awards Findings

None noted.

LAKE AGASSIZ REGIONAL COUNCIL
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

2018-001 Financial Statement Preparation

Criteria – An appropriate system of internal control requires Lake Agassiz Regional Council to prepare statements in compliance with accounting principles generally acceptable in the United States of America.

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

Cause – Lake Agassiz Regional Council elected to not allocate resources for the preparation of the financial statements.

Effect – There is an increased risk of material misstatement to the entity’s financial statements.

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

Responsible individual’s response – Due to cost constraints, Lake Agassiz Regional Council will continue to have the auditors draft the financial statements and accompanying notes to the financial statements.

Indication of Repeat Finding

Finding is 2018-001 is repeated as finding 2019-001.

**Lake Agassiz Regional Council
417 Main Avenue, Fargo, ND 58103
Corrective Action Plan**

July 1, 2020

Lake Agassiz Regional Council respectfully submits the following corrective action plan for the year ended December 31, 2019.

Name and address of independent public accounting firm:

Brady, Martz & Associates, P.C.
2537 South University Dr.
Fargo, ND 58103

Audit period: For the year ended December 31, 2019

The findings from the July 1, 2020 schedule of findings and questioned costs are discussed below. The finding is numbered consistently with the number assigned in the schedule of findings and questioned costs.

Findings – Financial Statement Audit

2019-001 Financial Statement Preparation

Planned Corrective Action – Due to cost constraints, Lake Agassiz Regional Council will continue to have the auditors draft the financial statements and accompanying notes to the financial statements.

If the Oversight Agency has any questions regarding this plan, please call Amber Metz at 701-235-1197,

Sincerely yours,

Amber Metz, Executive Director
Lake Agassiz Regional Council