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**SOURIS BASIN PLANNING COUNCIL
MINOT, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Souris Basin Planning Council
Minot, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Souris Basin Planning Council (a nonprofit organization) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the 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 auditor's 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 auditor considers 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, as well as 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 the Souris Basin Planning Council as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Souris Basin Planning Council's basic financial statements. The schedule of revenues and expenditures by project – general fund 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 presented for purposes of additional analysis 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*, and is also not a required part of the basic financial statements.

The schedule of revenues and expenditures by project – general fund and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 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 schedule of revenues and expenditures by project - general fund and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2019, on our consideration of the Souris Basin Planning Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Souris Basin Planning Council's internal control over financial reporting and compliance.

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

July 9, 2019

SOURIS BASIN PLANNING COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

This section of the Souris Basin Planning Council's annual financial report presents our discussion and analysis of the Council's financial performance during the year ended December 31, 2018. Please read it in conjunction with the Council's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of Souris Basin Planning Council exceeded its liabilities at the close of the most recent fiscal year by \$1,531,704 (*net position*). Of this amount, \$161,701 (*unrestricted net position*) may be used to meet the Council's ongoing obligations.
- The Council's total net position decreased by \$37,780.
- As of the close of the current fiscal year, Souris Basin Planning Council's governmental funds reported combined ending fund balances of \$1,959,549.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$172,429.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Council's basic financial statements. The Council's basic financial statements are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements and 4) Federal Awards section. This report also contains supplementary information in addition to the basic financial statements themselves.

The basic financial statements include two kinds of statements that present different views of the Council:

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the Council's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the Council's operations in *more detail* than the government-wide statements.
 - The *governmental funds statements* tell how general government services were financed in the *short-term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-Wide Statements

The government-wide statements report information about the Council as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. The statement of activities includes all of the current year's revenues and expenses regardless of when cash is received or paid.

SOURIS BASIN PLANNING COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2018

The two government-wide statements report the Council's *net position* and how they have changed. Net position – the difference between the Council's assets and liabilities – is one way to measure the Council's financial health or *position*.

- Over time, increases or decreases in the Council's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Council's overall health, you need to consider additional nonfinancial factors.

The governmental activities of the Council include general grant administration, community development and economic development.

Fund Financial Statements

The fund financial statements provide more detailed information about the Council's most significant funds – not the Council as a whole. Funds are accounting devices the Council uses to keep track of specific sources of funding and spending on particular purposes. The Council uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Council has two types of funds:

- **Governmental funds:** Most of the Council's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Council's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide a reconciliation after each governmental fund statement that explains the differences between the governmental funds statement and the government-wide statements.

The Council adopts an annual budget for its governmental funds. Budgetary comparison statements have been provided for all of these funds to demonstrate compliance with this budget.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

As stated earlier, net position may serve over time as a useful indicator of a government's financial position. The Council's assets exceeded liabilities by \$1,531,704 at December 31, 2018. The net position decreased by \$37,780 for the year ended December 31, 2018.

Eighty-nine percent of the Council's net position is restricted for use in the loan fund programs. Unrestricted net position may be used to fund Council activities in the next fiscal year.

SOURIS BASIN PLANNING COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2018

<u>Governmental Activities</u>	<u>12/31/18</u>	<u>12/31/17</u>
Assets:		
Current and other assets	\$ 742,688	\$ 488,452
Notes receivable, net	1,218,311	1,543,648
Capital assets	<u>7,106</u>	<u>3,398</u>
Total Assets	1,968,105	2,035,498
 Liabilities:		
Current liabilities	2,713	3,334
Long-term liabilities	<u>433,688</u>	<u>462,680</u>
Total Liabilities	436,401	466,014
 Net Position:		
Net investment in capital assets	439	(222)
Restricted for loan programs	1,369,564	1,381,783
Unrestricted	<u>161,701</u>	<u>187,923</u>
Total Net Position	<u>\$1,531,704</u>	<u>\$1,569,484</u>
 Governmental Activities		
	<u>12/31/18</u>	<u>12/31/17</u>
Revenues:		
Program revenues:		
Fees, fines, & charges for services	\$ 449,130	\$ 199,520
Operating grants & contributions	77,668	77,323
General revenues:		
Joint power agreements	51,006	51,741
Mileage assessments	6,019	5,716
Interest income	3,530	651
Miscellaneous	1,571	22,834
Gain on disposal of assets	<u>170</u>	<u>-</u>
Total Revenues	589,094	357,785
Expenses:		
Economic Development	455,865	218,907
General Government	68,958	68,231
Lending Programs	<u>102,051</u>	<u>100,318</u>
Total Expenses	<u>626,874</u>	<u>387,456</u>
Change in Net Position	(37,780)	(29,671)
Net Position, Beginning of Year	<u>1,569,484</u>	<u>1,599,155</u>
Net Position, End of Year	<u>\$1,531,704</u>	<u>\$1,569,484</u>

The Council's total revenues for 2018 and 2017 were \$589,094 and \$357,785, respectively. In 2018, 66% of the Council's revenues came from charges for services and 19% came from grants. In 2017, 56% came from charges for services and 22% came from grants.

The total cost of all programs and services was \$626,874 in 2018 and \$387,456 in 2017.

SOURIS BASIN PLANNING COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2018

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The Council uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Council's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

- Revenues from governmental fund types totaled \$630,769, an increase of \$173,137 from the preceding year.
- Expenditures from governmental fund types totaled \$701,755 an increase of \$180,037 from the preceding year.
- Total fund balances decreased by \$70,986 for the year ended December 31, 2018.
- The general fund balance decreased by \$22,176 for the year ended December 31, 2018.

GOVERNMENTAL FUND BUDGETARY HIGHLIGHTS

General Fund:

- Actual revenues were \$208,882 more than budgeted and actual expenditures were \$202,718 more than budgeted due to pass through grant funds received for the Minot Air Force Base Joint Land Use Study Implementation project and a USDA Housing Preservation Grant for housing rehabilitation in Pierce County. The grant funds and associated expenditures were not budgeted as actual operating income and expenses, as funds were utilized to pay consultants and provide grant funds for low-income housing rehabilitation in Pierce County, respectively.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Council's investment in capital assets was \$7,106 at the end of fiscal year 2018 and \$3,398 at the end of fiscal year 2017 (net of accumulated depreciation). This investment includes furniture, fixtures and office equipment. Additional information on the Council's capital assets can be found in Note 6 of this report.

Long-Term Debt

The Council has an Intermediary Relending Program which provide loans to entities through a federal loan and local match dollars. The Council is required to repay the original federal loan funds to the United States Department of Agriculture.

The Council has recorded a liability for a capital lease and compensated absences. The Council is also liable for compensated absences in the event an employee leaves employment.

SOURIS BASIN PLANNING COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2018

<u>Governmental Activities</u>	<u>12/31/18</u>	<u>12/31/17</u>
Compensated Absences Payable	\$ 10,940	\$ 6,894
USDA Rural Development Loan Payable	176,000	194,619
USDA Rural Development Loan Payable #2	241,344	259,316
Capital Lease Payable	6,667	3,620
Total Long-Term Liabilities	<u>\$ 434,951</u>	<u>\$ 464,449</u>

Additional information on the Council's long-term debt can be found in Note 4 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For 2019:

- The Council did not budget staff salary increases due to budget constraints. Staff salary increases may be included in each annual budget based on funds available and personnel reviews.
- The Council relies on income from Community Development Block Grant (CDBG) project administration activities as well as a planning grant from the Economic Development Administration (EDA), supplemented by local county dues. The Council added the SBPC Housing Rehab Program in 2016 and will continue to seek future funding to assist the region with low-income housing rehabilitation. The Council continues to seek projects for the benefit of the region from public and private sources.
- The Council continues to increase its revenue potential by serving as a fiscal manager for area non-profits and providing community and economic planning assistance.

CONTACTING THE COUNCIL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Council's finances and to demonstrate the Council's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the executive director at PO Box 2024, Minot, North Dakota 58702-2024.

SOURIS BASIN PLANNING COUNCIL
STATEMENT OF NET POSITION
DECEMBER 31, 2018

CURRENT ASSETS	
Cash	\$ 652,394
Accounts receivable	40,593
Accrued interest	16,081
Prepaid expenses	239
Current portion of notes receivable	255,284
Total current assets	964,591
CAPITAL ASSETS, NET	7,106
OTHER ASSETS	
Notes receivable, net of current portion and allowance of \$193,000	963,027
Cash restricted for loan loss reserve and debt service	33,381
Total other assets	996,408
Total assets	1,968,105
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Current portion of notes payable	36,957
Current portion of capital lease	1,263
Accrued liabilities	1,450
Total current liabilities	39,670
LONG-TERM LIABILITIES	
Compensated absences payable	10,940
Notes payable, net of current portion	380,387
Capital lease obligations payable, net of current portion	5,404
Total long-term liabilities	396,731
Total liabilities	436,401
NET POSITION	
Net investment in capital assets	439
Restricted	
Loan programs	1,369,564
Unrestricted	161,701
Total net position	\$ 1,531,704

SEE NOTES TO THE FINANCIAL STATEMENTS

SOURIS BASIN PLANNING COUNCIL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

<u>Program Activities</u>	<u>Expenses</u>	<u>Indirect Expense Allocation</u>	<u>Program Revenues</u>		<u>Net Revenue (Expense) and Changes in Net Position</u>
			<u>Fees, Fines & Charges for Services</u>	<u>Operating Grants & Contributions</u>	
Governmental activities					
General government	\$ 68,958	\$ (68,958)	\$ -	\$ -	\$ -
Economic development	455,865	57,322	363,215	77,668	(72,304)
Lending programs	102,051	11,636	85,915	-	(27,772)
Total governmental activities	\$ 626,874	\$ -	\$ 449,130	\$ 77,668	\$ (100,076)
General revenues					
Joint powers agreement					\$ 51,006
Mileage assessments					6,019
Interest income					3,530
Miscellaneous					1,571
Gain on disposal of assets					170
Total general revenues					62,296
Change in net position					(37,780)
Net position, January 1, 2018					1,569,484
Net position, December 31, 2018					\$ 1,531,704

SEE NOTES TO THE FINANCIAL STATEMENTS

SOURIS BASIN PLANNING COUNCIL
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2018

ASSETS	General	Major Funds Revolving Loan Fund	Intermediary Relending	Total Governmental Funds
CURRENT ASSETS				
Cash	\$ 122,400	\$ 481,923	\$ 48,071	\$ 652,394
Accounts receivable	40,593	-	-	40,593
Due from other funds	9,436	-	-	9,436
Accrued interest	-	6,812	9,269	16,081
Prepaid expenses	212	17	10	239
Current portion of notes receivable	-	170,466	84,818	255,284
Total current assets	<u>172,641</u>	<u>659,218</u>	<u>142,168</u>	<u>974,027</u>
OTHER ASSETS				
Notes receivable, net of current portion	-	684,489	471,538	1,156,027
Allowance for uncollectible accounts	-	(80,000)	(113,000)	(193,000)
Cash restricted for loan loss reserve and debt service	-	-	33,381	33,381
Total other assets	<u>-</u>	<u>604,489</u>	<u>391,919</u>	<u>996,408</u>
Total assets	<u><u>\$ 172,641</u></u>	<u><u>\$ 1,263,707</u></u>	<u><u>\$ 534,087</u></u>	<u><u>\$ 1,970,435</u></u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accrued liabilities	\$ -	\$ -	\$ 1,450	\$ 1,450
Due to other funds	-	6,421	3,015	9,436
Total current liabilities	<u>-</u>	<u>6,421</u>	<u>4,465</u>	<u>10,886</u>
FUND BALANCES				
Nonspendable	212	774,972	496,241	1,271,425
Spendable				
Unassigned	172,429	-	-	172,429
Restricted				
Loan program	-	482,314	-	482,314
Loan loss reserve and debt service	-	-	33,381	33,381
Total fund balances	<u>172,641</u>	<u>1,257,286</u>	<u>529,622</u>	<u>1,959,549</u>
Total liabilities and fund balances	<u><u>\$ 172,641</u></u>	<u><u>\$ 1,263,707</u></u>	<u><u>\$ 534,087</u></u>	<u><u>\$ 1,970,435</u></u>

SEE NOTES TO THE FINANCIAL STATEMENTS

SOURIS BASIN PLANNING COUNCIL
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2018

Total Governmental Funds Balance \$ 1,959,549

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Cost of capital assets	\$ 15,515	
Less accumulated depreciation	(8,409)	
Net capital assets	7,106	7,106

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 long-term, are reported in the statement of net position.

Compensated absences payable	10,940	
USDA Rural Development debt	417,344	
Capital lease obligation	6,667	
Long-term liabilities	(434,951)	(434,951)

Net Position of Governmental Activities \$ 1,531,704

SEE NOTES TO THE FINANCIAL STATEMENTS

SOURIS BASIN PLANNING COUNCIL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Major Funds			Total Governmental Funds
	General	Revolving Loan Fund	Intermediary Relending Program	
REVENUES				
Grant Income	\$ 279,023	\$ -	\$ -	\$ 279,023
Project administration	197,708	-	-	197,708
Joint powers agreements	51,006	-	-	51,006
Partnership income	6,000	-	-	6,000
Mileage assessments	6,019	-	-	6,019
Interest income	368	2,952	209	3,529
Miscellaneous income	2,988	6,662	200	9,850
Interest on loans	-	47,745	29,889	77,634
Capital lease acquisition	6,873	-	-	6,873
Total revenues	549,985	57,359	30,298	637,642
EXPENDITURES				
Current:				
Salaries & fringe	275,150	-	-	275,150
Travel	2,257	408	85	2,750
Administrative expense	-	29,267	12,580	41,847
Project expenses	211,884	-	-	211,884
Miscellaneous	4,506	269	3,342	8,117
Indirect	70,794	-	-	70,794
Bad debts	122	-	-	122
Increase in allowance for uncollectible accounts	-	36,500	13,000	49,500
Total current expenditures	564,713	66,444	29,007	660,164
Capital Outlay	7,448	-	-	7,448
Debt service:				
Rural Development - interest	-	-	4,425	4,425
Rural Development - principal	-	-	36,591	36,591
Total debt service expenditures	-	-	41,016	41,016
Total expenditures	572,161	66,444	70,023	708,628
EXCESS REVENUE OVER (UNDER) EXPENDITURES	\$ (22,176)	\$ (9,085)	\$ (39,725)	\$ (70,986)
FUND BALANCE, BEGINNING OF YEAR	\$ 194,817	\$ 1,266,371	\$ 569,347	\$ 2,030,535
FUND BALANCE, END OF YEAR	\$ 172,641	\$ 1,257,286	\$ 529,622	\$ 1,959,549

SEE NOTES TO THE FINANCIAL STATEMENTS

SOURIS BASIN PLANNING COUNCIL
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2018

Net Change in Fund Balances - Total Governmental Funds \$ (70,986)

The change in net position reported for governmental activities in the statement of activities is different because:

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Net Position, the cost of those assets are included in the capital asset balance. In the current period, the amount of capital expenditures are: (7,448)

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds. The amount of depreciation expense for the current year is: (1,759)

Payment of principal on debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The amount of principal paid on USDA Rural Development debt is: 36,591

Governmental funds report the entire net sales price from the sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold by: 170

Capital leases are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements, however, entering into capital lease arrangements increase capital assets and liabilities in the statement of net position. The amount of capital lease obligations entered into in the current period is: 6,873

Payment of principal on capital lease obligations payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The amount of principal paid on capital lease obligations payable is: 2,825

The change in compensated absences payable does not provide or use current financial resources and therefore, is not reported in the governmental funds. The amount of the change is: (4,046)

Total Change in Net Position of Governmental Activities \$ (37,780)
 SEE NOTES TO THE FINANCIAL STATEMENTS

SOURIS BASIN PLANNING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Souris Basin Planning Council ("the Council") operates as an entity under Chapter 54-40 of the North Dakota Century Code. The financial statements of the Council have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governments. As described in Note 1, the Council has implemented the financial reporting model as required by the provisions of GASB 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The powers and duties of regional councils set out in NDCC 54-40.1-04 provide that a regional council shall:

1. Adopt agreements, rules or procedures, as may be necessary to effectuate planning and development in the region.
2. Coordinate planning and development within the regions for all matters of regional concern as determined by the regional council, including land use, social and economic planning, economic development, transportation, health, environmental quality, water and sewage, solid waste, flood relief, parks and open spaces, hospitals, and public buildings.
3. Participate with other public agencies and private organizations in regard to research for planning activities relevant to the region.
4. For the purpose of coordination, work with state departments, agencies, and institutions in reviewing and commenting on all plans and federal aid applications as to their impact on the region.
5. Develop guidelines for the coordination of land use plans and ordinances within the region.
6. Prepare a regional comprehensive plan and upon the preparation of such a plan or any phase, amendment, revision, extension, addition, functional part, or part thereof, file such plan, phase, functional part, amendment, revision, extension, addition, or part thereof with the office, all local planning agencies within the region, and other planning agencies in adjoining areas.
7. Develop an annual budget for operations during a fiscal year.
8. Receive and expand federal, state, and local funds, and contract for services with units of general local government and private individuals and organizations, consistent with the scope and objectives of planning and development functions.
9. Upon availability of funds, hire an executive director who must be given full control over the staff of the regional council. The executive director shall act as a liaison between the regional council and the staff of the regional council and shall advise and assist the regional council in the selection of staff.

SOURIS BASIN PLANNING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018

10. Provide technical assistance for primary sector business development by leveraging local funds to assist in product development, product testing, business plan development, feasibility studies, gaining patent protection, legal services, market strategy development, and other needs to stimulate business development.
11. Host business outreach forums to stimulate entrepreneurship and interchange with potential investment and forums on other matters of importance to the local area.
12. Upon request, facilitate the financing of local economic development activities, such as interest buy down programs and local revolving loan fund programs, without regard to the fiscal source.
13. Act as a regional development corporation as provided by the individual regional council's bylaws.
14. Have the authority to purchase, own, and manage real property for the purpose of the business incubator and regional council administrative functions.

Following is a summary of the more significant policies:

Reporting Entity

The Council's policy is to include in the financial statements all funds, departments, agencies, boards, commissions, and other component units for which the Council is considered to be financially accountable.

Component units are legally separated entities for which the Council (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit or is fiscally dependent upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the Council and the Council is not includable as a component unit within another reporting entity.

Basis of Presentation

The government-wide financial statements (i.e. the statement of net position and the statement of activities) display information about the reporting government as a whole. These statements include all the financial activities of the Council. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through intergovernmental revenues, and other nonexchange transactions.

SOURIS BASIN PLANNING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are those benefiting more than one function and include administrative and supporting services. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Governmental fund financial statements: The fund financial statements provide information about the Council's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Currently all funds of the Council qualify as major.

The Council reports the following major governmental funds:

General Fund – The general fund is the primary operating fund of the Council. It accounts for all financial resources except those required to be accounted for in another fund.

Revolving Loan Fund – The Revolving Loan Fund was established to provide loans to entities through federal and donated funds. As loans are repaid, the revolved funds are loaned.

Intermediary Relending Program Fund – The Intermediary Relending Program provides loans to entities through a federal loan and local match. As loans are repaid, the revolved funds are loaned.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements: The government-wide financial statements are reported using the economic resources measurement focus and 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. Nonexchange transactions, in which the Council gives (or receives) value without directly receiving (or giving) equal value in exchange, includes grants, entitlements, and donations. Revenue from grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Council considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Charges for services and investment income are considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and adjustments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

SOURIS BASIN PLANNING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018

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

Budgets

The budget is prepared for the general special revenue funds in total on the modified accrual basis of accounting using the current financial resources measurement focus. The board approves the final budget. All annual appropriations lapse at year-end.

Cash and Investments/Deposits

Cash includes amounts in demand deposits and money market accounts. The Council has no investments. Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or secured with pledges of securities equal to 110% of the uninsured balance. The Council has not adopted a policy limiting the amount that can be invested with any one issuer.

State statutes authorize the Council to invest in: (1) 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; (2) 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; (3) certificates of deposit fully insured by the federal deposit insurance corporation or by the state; (4) obligations of the state.

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the state of North Dakota, its boards, agencies, or instrumentalities, or by a county, city, township, school district, park district, or other political subdivision of the State of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing entity, and bonds issued by any other state of the United States or such other securities approved by the banking board.

Restricted Cash

Restricted cash reported as a non-current asset in the Statement of Net Position is restricted for use as loan loss reserves and debt service reserves under the Intermediary Relending Program. All are federal programs.

SOURIS BASIN PLANNING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018

Capital Assets

Capital assets include equipment and furniture. Assets are reported in the governmental activities column in the government-wide financial statements. Equipment is defined by the Council as assets with a cost of \$500 or more. Assets are recorded at cost if purchased and at acquisition value if donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Equipment is depreciated using the straight-line method with the following estimated useful lives:

Office and Computer Equipment	5 years
Furniture and Fixtures	7 years

Notes Receivable and Allowance for Bad Debts

Notes receivable represent funds advanced to borrowers under various federal programs and an internally operated loan program. The loans are generally collateralized by one or more of the following: Inventory, real property, equipment and personal guarantees.

Loans are stated at unpaid principal balances, less an allowance for loan losses. The allowance for loan losses is estimated based on the Council's anticipated uncollectible balances based on historical write-offs and the financial stability of its clients. Since inception, the RLF has written off \$297,202. There have been no write-offs on the Intermediary Relending Program (IRP) loans since inception. An allowance of \$193,000 for bad debts has been established to account for potential uncollectible accounts for the Revolving Loan Fund (RLF) and Intermediary Relending Program (IRP) loans. Management believes the estimated allowance for the RLF and IRP is adequate. The Council is required by USDA to establish a loan loss reserve for the IRP loans and these are reported as restricted fund balances. Notes considered uncollectible are liquidated and any amount remaining is charged-off.

Interest income on notes receivable is recorded as earned. Interest stops accruing once a note receivable is considered non-collectible.

There were no changes in the Council's accounting policies during the year. There have been no purchases, sales, or reclassifications of notes receivable.

Accounts Receivable

Accounts receivable are carried at original invoice amount less a reserve estimate made for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and using historical experience applied to an aging of accounts. Management has determined that no allowance for doubtful accounts is necessary. Accounts receivable are written off when deemed to be uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

Compensated Absences

Employees accrue vacation hours monthly based on years of service. Vacation may be accrued to a maximum of 240 hours. Upon separation of employment, eligible employees will receive payment for accrued hours at their current pay rate.

SOURIS BASIN PLANNING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018

Indirect Costs

The Council allocates indirect costs using a formal Indirect Cost Distribution Plan. The plan allocates indirect costs to programs based on each program's percentage of direct salary and benefits to total salary and benefits.

Advertising Costs

The Council follows the policy of expensing advertising costs as incurred.

Tax-Exempt Status

The Council is exempt from Federal Income Taxes under the Internal Revenue Code Section 501(c)(4) and from payment of state income taxes under Section 57-38-09 of the North Dakota Century Code. All appropriate federal and state filings are up to date.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Encumbrance Accounting

Encumbrances are commitments related to unperformed contracts for goods and services that may be recorded for budgetary control purposes. The Council does not record encumbrances.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Balance Classifications

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

SOURIS BASIN PLANNING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018

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

Restricted – consists of amounts related to (a) externally imposed constraints established by creditors, grantors, contributors; or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

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

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

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

When both restricted and unrestricted resources are available for use, it is the Council's policy to first use restricted resources, and then use unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the Council's policy to use resources in the following order; 1) committed, 2) assigned and 3) unassigned.

NOTE 2 DEPOSITS

At December 31, 2018, the Council held deposits at multiple financial institutions in the local area. The deposits are covered by Federal Depository Insurance up to \$250,000 per financial institution. The Council was also collateralized with securities held by the pledging financial institutions' agents but not in the Council's name in case their deposits grew larger than the FDIC coverage. Management periodically reviews the pledges of securities. As of December 31, 2018 the Council's deposits were fully covered by FDIC insurance and pledged securities.

SOURIS BASIN PLANNING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018

NOTE 3 NOTES RECEIVABLE

Souris Basin Planning Council provides loans to businesses and local governments in its region for start-up, expansion and capital improvements. The Council has two separate loan programs consisting of the following:

Intermediary Relending Program	
loans bearing interest from 4.00% to 5.70%, with maturity dates ranging from 2019 through 2026, secured with personal guarantees, inventory, property, and equipment.	\$ 556,356
Less: current portion of notes receivable	<u>(84,818)</u>
Total long-term notes receivable	<u>471,538</u>
Less: allowance for doubtful accounts	<u>(113,000)</u>
Total long-term notes receivable, net	<u>\$ 358,538</u>
Revolving Loan Fund	
loans bearing interest from 4.00% to 6.00%, with a maturity dates ranging from 2019 through 2026 secured with personal guarantees, inventory, property and equipment.	\$ 854,955
Less: current portion of notes receivable	<u>(170,466)</u>
Total long-term notes receivable	<u>684,489</u>
Less: allowance for doubtful accounts	<u>(80,000)</u>
Total long-term notes receivable, net	<u>\$ 604,489</u>

Revolving Loan Fund – The Revolving Loan Fund (RLF) was established to provide loans to entities through federal and donated funds.

Intermediary Relending Programs – The Intermediary Relending Program (IRP) provides loans to entities through a federal loan and local match. In 2001, the Council received a second federal loan (IRP #2). SBPC is ultimately responsible for the assets and liabilities of the IRP program. A financing statement has been filed for all assets generated from the program and all security interests pledged to SBPC by the recipients of loans.

The Council has established an allowance for bad debts of \$193,000 for the RLF and IRP notes as of December 31, 2018.

The Council is required to repay the original IRP grant funds to USDA.

SOURIS BASIN PLANNING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018

The following table presents information data by class of financing receivable regarding their age and interest accrual status at December 31, 2018:

	Past Due				Total Financing Receivables on Nonaccrual Status *
	30 - 59 Days	60 - 89 Days	> 90 Days	Total Past Due	
RLF	\$ -	\$ -	\$ -	\$ -	\$ 65,779
IRP	-	-	113,160	113,160	113,160
	\$ -	\$ -	\$ 113,160	\$ 113,160	\$ 178,939

* As of December 31, 2018, the Council held a note on their books in which they stopped accruing interest but was not considered past due.

NOTE 4 LONG-TERM LIABILITIES

Changes in long-term liabilities for the year as follows:

	Balance 1/1/2018	Increases	Decreases	Balance 12/31/18	Due Within
IRP #1 USDA note payable	\$ 194,619	\$ -	\$ (18,619)	\$ 176,000	\$ 18,805
IRP #2 & #3 USDA note payable	259,316	-	(17,972)	241,344	18,152
Compensated absences*	6,894	4,046	-	10,940	-
Capital lease obligation	3,620	6,873	(3,826)	6,667	1,263
Total long-term liabilities	\$ 464,449	\$ 10,919	\$ (40,417)	\$ 434,951	\$ 38,220

The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

Compensated absences will be paid by the general fund.

Interest paid in 2018 on the USDA Rural Development loans was \$4,425.

SOURIS BASIN PLANNING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018

NOTE 5 NOTES PAYABLE

Notes payable are comprised of the following:

\$500,000, 1.00% IRP #1 note payable to USDA Rural Development, due in annual installments of \$20,565, including interest, through November 2027, at which time the balance is due, secured by notes receivable with a carrying value of \$443,356. \$ 176,000

\$500,000, 1.00% IRP #2 & #3 note payable to USDA Rural Development, due in annual installments of \$20,565, including interest through June 2031, at which time the balance is due, secured by notes receivable with a carrying value of \$443,356. 241,344

417,344

Less: current maturities included in long-term debt (36,957)

Total notes payable \$ 380,387

Notes payable are expected to mature as follows:

Year ending December 31,	Principal	Interest	Total
2019	\$ 36,957	\$ 4,173	\$ 41,130
2020	37,326	3,804	41,130
2021	37,699	3,431	41,130
2022	38,076	3,054	41,130
2023	38,457	2,673	41,130
2023-2027	177,389	7,520	184,909
2028-2031	51,440	940	52,380
	<u>\$ 417,344</u>	<u>\$ 25,595</u>	<u>\$ 442,939</u>

NOTE 6 CAPITAL ASSETS

Following is a summary of changes in capital assets for the year ended December 31, 2018:

	Balance 1/1/2018	Additions	Deletions	Balance 12/31/18
Office equipment and software	\$ 16,557	\$ 7,448	\$ (8,492)	\$ 15,513
Accumulated depreciation	(13,159)	(1,759)	6,511	(8,407)
Governmental capital assets, net	<u>\$ 3,398</u>	<u>\$ 5,689</u>	<u>\$ (1,981)</u>	<u>\$ 7,106</u>

Depreciation expense of \$1,759 was charged to the economic development program on the statement of activities during 2018.

SOURIS BASIN PLANNING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018

NOTE 7 RESTRICTED NET POSITION/RESTRICTED FUND BALANCES

The restricted net position and restricted fund balances are the result of the revolving loan fund and intermediary relending program. The IRP program has requirements for funds to be restricted for bad debts and debt service. The remaining funds are to continue being loaned under the provisions of each of the loan programs.

NOTE 8 RISK MANAGEMENT

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1986, the state and other political subdivisions joined together to form the North Dakota Insurance Reserve Fund (NDRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Council pays an annual premium to NDRF for its general insurance coverage. The coverage by NDRF is limited to losses of \$2,000,000 per occurrence. The Council carries commercial insurance for all other risks of loss, including workers' compensation, state bonding fund, state fire and tornado fund, and employee health and accident insurance. No claims from these risks have exceeded insurance coverage in any of the past three years.

NOTE 9 LEASES

On August 2, 2013, the Council entered into a seven-year lease for office space, which is to expire in August 2020. The new lease requires rent of \$2,500 per month for the first four years. In the fifth year, the rent is to be \$2,575 per month, the sixth year is to be \$2,652 per month, and the seventh year will be renegotiated. Total rent expense paid in 2018 was \$30,000.

Future minimum lease obligations for the office space is as follows:

2019	\$	31,285
2020		18,564
	\$	<u>49,849</u>

In November 2018, the Council leased a digital copier under a capital lease which expires November 1, 2023. The asset and liability under the capital lease is recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The asset is amortized over the lower of its related lease terms or its estimated productive life. Amortization of the asset under the capital lease is included in depreciation expense for 2018.

The following is a summary of equipment held under capital lease at December 31, 2018:

Capitalized copier	\$	6,667
Less: accumulated amortization		<u>(1,675)</u>
Capitalized copier, net	\$	<u>4,992</u>

SOURIS BASIN PLANNING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018

The lease calls for monthly payments of \$128. A summary of future minimum lease payments is as follows:

Year ending December 31,	Gross Payments	Interest/Tax	Net Payments
2019	\$ 1,537	\$ 274	\$ 1,263
2020	1,537	216	1,321
2021	1,537	155	1,382
2022	1,537	92	1,445
2023	1,283	27	1,256
	<u>\$ 7,431</u>	<u>\$ 764</u>	<u>\$ 6,667</u>

NOTE 10 FUTURE GASB PRONOUNCEMENTS

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. It also establishes disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

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 December 15, 2019. Earlier application is encouraged.

SOURIS BASIN PLANNING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement is effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

Management has not yet determined the effect these statements will have on the Council's financial statements.

NOTE 11 SUBSEQUENT EVENTS

No significant events occurred subsequent to the Council's year end. The Council has evaluated subsequent events through July 9, 2019, the date which these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SOURIS BASIN PLANNING COUNCIL
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Federal sources				
Grant Income	\$ -	\$ -	\$ 279,023	\$ 279,023 *
Project administration	80,000	80,000	70,263	(9,737)
State & local sources				
Joint powers agreements	51,005	51,005	51,006	1
Project administration	134,213	134,213	127,445	(6,768)
Partnership income	5,000	5,000	6,000	1,000
Mileage assessments	5,800	5,800	6,019	219
Interest income	-	-	368	368
Miscellaneous income	58,212	58,212	2,988	(55,224)
Total revenues	334,230	334,230	543,112	208,882
EXPENDITURES				
Current:				
Salaries & fringe	282,160	282,160	275,150	7,010
Travel	7,000	7,000	2,257	4,743
Project expenses	-	-	211,884	(211,884) *
Miscellaneous	4,000	4,000	4,506	(506)
Indirect	68,835	68,835	70,794	(1,959)
Bad debts	-	-	122	(122)
Total current expenditures	361,995	361,995	564,713	(202,718)
Total Expenditures	361,995	361,995	564,713	(202,718)
EXCESS REVENUE OVER (UNDER) EXPENDITURES	(27,765)	(27,765)	(21,601)	6,164
FUND BALANCE, BEGINNING OF YEAR	194,817	194,817	194,817	-
FUND BALANCE, END OF YEAR	\$ 167,052	\$ 167,052	\$ 173,216	\$ 6,164

* The Council did not budget for grant income or expenses related to the Housing Rehabilitation grant or the MAFB JLUS grant for the year ended December 31, 2018.

SEE NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION

SOURIS BASIN PLANNING COUNCIL
BUDGETARY COMPARISON SCHEDULE
REVOLVING LOAN FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
State & local sources				
Interest income	\$ 430	\$ 430	\$ 2,952	\$ 2,522
Miscellaneous income	-	-	6,662	6,662
Interest on loans	38,500	38,500	47,745	9,245
Total revenues	<u>38,930</u>	<u>38,930</u>	<u>57,359</u>	<u>18,429</u>
EXPENDITURES				
Current:				
Administration	30,000	30,000	29,267	733
Travel	500	500	408	92
Miscellaneous	250	250	269	(19)
Professional fees	800	800	-	800
Increase in allowance for uncollectible accounts	-	-	36,500	(36,500)
Total current expenditures	<u>31,550</u>	<u>31,550</u>	<u>66,444</u>	<u>(34,894)</u>
Total Expenditures	<u>31,550</u>	<u>31,550</u>	<u>66,444</u>	<u>(34,894)</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	<u>7,380</u>	<u>7,380</u>	<u>(9,085)</u>	<u>(16,465)</u>
FUND BALANCE, BEGINNING OF YEAR	1,266,371	1,266,371	1,266,371	-
FUND BALANCE, END OF YEAR	<u>\$ 1,273,751</u>	<u>\$ 1,273,751</u>	<u>\$ 1,257,286</u>	<u>\$ (16,465)</u>

For the year ended December 31, 2018, the Council budgeted \$198,000 and \$324,000 of Revolving Loan Funds for revenue related to the principal payments on loans and expenses related to new loans provided using, respectively. The Council had actually received \$224,740 of principal payments on loans and \$0 in expenses related to new loans provided for the year ended December 31, 2018.

SEE NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION

SOURIS BASIN PLANNING COUNCIL
BUDGETARY COMPARISON SCHEDULE
INTERMEDIARY RELENDING PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
State & local sources				
Interest income	\$ 250	\$ 250	\$ 209	\$ (41)
Miscellaneous income	-	-	200	200
Interest on loans	24,000	24,000	29,889	5,889
Total revenues	<u>24,250</u>	<u>24,250</u>	<u>30,298</u>	<u>6,048</u>
EXPENDITURES				
Current:				
Administration	14,000	14,000	12,580	1,420
Travel	400	400	85	315
Miscellaneous	-	-	3,342	(3,342)
Increase in allowance for uncollectible accounts	-	-	13,000	(13,000)
Total current expenditures	<u>14,400</u>	<u>14,400</u>	<u>29,007</u>	<u>(14,607)</u>
Debt Service:				
Rural Development - interest	-	-	4,425	(4,425)
Rural Development - principal	41,130	41,130	36,591	4,539
Total debt service expenditures	<u>41,130</u>	<u>41,130</u>	<u>41,016</u>	<u>114</u>
Total expenditures	<u>55,530</u>	<u>55,530</u>	<u>70,023</u>	<u>(14,493)</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	<u>(31,280)</u>	<u>(31,280)</u>	<u>(39,725)</u>	<u>(8,445)</u>
FUND BALANCE, BEGINNING OF YEAR	569,347	569,347	569,347	-
FUND BALANCE, END OF YEAR	<u>\$ 538,067</u>	<u>\$ 538,067</u>	<u>\$ 529,622</u>	<u>\$ (8,445)</u>

For the year ended December 31, 2018, the Council budgeted \$52,000 of Intermediary Relending Program Funds for revenue related to the principal payments on loans. The Council had actually received \$57,562 of principal payments on loans for the year ended December 31, 2018.

SEE NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION

SOURIS BASIN PLANNING COUNCIL
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1 BUDGET

Based upon available financial information and requests by the governing board, the Executive Director and Finance Manager prepare the preliminary Council budget. The Council budget is prepared for the general fund, revolving loan fund and intermediary relending program by function and activity on the modified accrual basis of accounting. The budget is approved by the governing board. Annual appropriations lapse at the end of the fiscal year.

For the year ended December 31, 2018, actual expenditures exceeded the budget in both the Revolving Loan Fund and Intermediary Relending Program by \$34,894 and \$14,493, respectively.

**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
Souris Basin Planning Council
Minot, 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 Souris Basin Planning Council as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise Souris Basin Planning Council's basic financial statements and have issued our report thereon dated July 9, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Souris Basin Planning 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 Souris Basin Planning Council's internal control. Accordingly, we do not express an opinion on the effectiveness of Souris Basin Planning Council's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2018-001 and 2018-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Souris Basin Planning Council'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. 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*.

Souris Basin Planning Council's Responses to Findings

Souris Basin Planning Council's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Souris Basin Planning Council's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.
MINOT, NORTH DAKOTA

July 9, 2019

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

To the Board of Directors
Souris Basin Planning Council
Minot, North Dakota

Report on Compliance for Each Major Federal Program

We have audited Souris Basin Planning 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 Souris Basin Planning Council's major federal programs for the year ended December 31, 2018. Souris Basin Planning Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the 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 Souris Basin Planning 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* 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 Souris Basin Planning 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. However, our audit does not provide a legal determination of Souris Basin Planning Council's compliance.

Opinion on Each Major Federal Program

In our opinion, the Souris Basin Planning Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of Souris Basin Planning 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 Souris Basin Planning 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 an 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 Souris Basin Planning 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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

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

July 9, 2019

SOURIS BASIN PLANNING COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures(\$)</i>
<u>U.S. Department of Commerce, Economic Development</u>		
Economic Adjustment Assistance-Economic Development Cluster	11.307	\$ 1,013,134
Economic Development Support for Planning Organizations	11.302	70,000
Total U.S. Department of Commerce		1,083,134
<u>Department of Defense</u>		
Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies	12.610	141,439
Total Department of Defense		141,439
<u>Department of Housing and Urban Development</u>		
Passed through ND Division of Community Services:		
Community Development Block Grants	14.228	17,668
National Disaster Resilience Competition	14.272	14,500
Total Department of Housing and Urban Development		32,168
<u>United States Department of Agriculture, Rural Development</u>		
Intermediary Relending Program	10.767	453,935
Rural Housing Preservation Grants	10.433	105,680
Total United States Department of Agriculture		559,615
<i>Total Expenditures of Federal Awards</i>		<u>\$ 1,816,356</u>

SEE NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SOURIS BASIN PLANNING COUNCIL
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Souris Basin Planning Council under programs of the federal government for the year ended December 31, 2018. The information in this schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Souris Basin Planning Council, it is not intended to and does not present the financial statements of the governmental activities, each major fund, and remaining fund information of Souris Basin Planning Council.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, *Cost Principles for State, Local, and Indian Tribal Government*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to requirement. Souris Basin Planning Council has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 OUTSTANDING LOANS

The Council has the following outstanding federal loans. These loan balances outstanding are also included in the federal expenditures presented in the schedule due to ongoing compliance requirements.

	Federal CFDA Number	Beginning Balance
Intermediary Relending Program	10.767	\$ 453,935

NOTE 4 LOAN PROGRAMS

The Council manages two federal loan programs, the Revolving Loan Fund (EDA) and the Intermediary Relending Program (USDA). Federal expenditures for the Intermediary Relending Program is the outstanding loan balance as of year-end, which is listed in Note 3 above. The following is the calculation of the federal expenditures for the Revolving Loan Fund:

End of year loan balances	\$ 854,956
End of year cash balances	481,923
Current year loan expenses	-
Current year loans written off	-
Current year administrative expenses	29,267
Total expenditures	1,366,146
Federal percentage	74.16%
Total federal expenditures	\$ 1,013,134

SOURIS BASIN PLANNING COUNCIL
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 5 FEDERAL PORTION OF PROJECT ADMINISTRATION REVENUE CALCULATION

The Council received funds from multiple agencies which were comprised of both federal and non-federal dollars. The calculation of the federal amounts of funding for proper presentation in the Schedule of Expenditures of Federal Awards are as follows:

Project Administration Revenue	
CDBG Scoring and Ranking	\$ 7,668
CDBG City of Sawyer	10,000
CDBG Housing Preservation Grant	15,647
DOD MAFB JLUS Implementation	22,449
HUD National Disaster Resilience Competition	14,500
Federal portion of Project Administration revenue	70,264
Non-federal portion of Project Administration revenue	127,444
Total Project Administration revenue	\$ 197,708

NOTE 6 RECONCILIATION OF SEFA SCHEDULE TO FINANCIAL STATEMENTS

The following schedule ties the total amount of federal awards as stated on the SEFA schedule to the financial statements:

Per statement of revenue, expenditures, and changes in fund balance-governmental funds:	
Grant Income	\$ 279,023
Balance of IRP loan as stated in SEFA footnote 3	453,935
Federal expenditures of Revolving Loan Fund as calculated in SEFA footnote 4	1,013,134
Federal portion of Project Administration revenue as noted in SEFA footnote 5	70,264
Total federal awards as stated on the SEFA schedule	\$ 1,816,356

NOTE 7 PASS THROUGH IDENTIFICATION NUMBERS

Pass through identification numbers are required to be disclosed on the statement of expenditures of federal awards for all expenditures of federal funds which passed through a different Organization. In the current year, the Council received funding from the Department of Housing and Urban Development, which was passed through the ND Division of Community Services for which a pass through identification number was not obtained.

SOURIS BASIN PLANNING COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
Significant Deficiency(ies) identified that are not considered to be material weakness(es)?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> none
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
Significant Deficiency(ies) identified that are not considered to be material weakness(es)?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> none

Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with the 2 CFR 200.516(a).	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Names of Federal Programs or Clusters</u>
11.307	Economic Adjustment Assistance – Economic Development Administration

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
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Auditee qualified as low-risk auditee?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no
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SOURIS BASIN PLANNING COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

Section II – Financial Statement Findings

2018-001

Criteria

The Council does not have the internal resources to identify all journal entries required to maintain a general ledger and prepare the full-disclosure financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP).

Condition

The Council's personnel prepare periodic financial information for internal use that meets the needs of management and the Board of Directors. However, the Council does not have internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements required by GAAP for external reporting. The Council is aware of this deficiency and obtains the auditor's assistance in adjusting the general ledger in accordance with GAAP and the preparation of the Council's annual financial statements.

Cause

The Council does not have the internal expertise needed to handle all aspects of the external financial reporting.

Effect

The Council's management is aware of the deficiency and addresses it by reviewing and approving the completed statements prior to distribution to the end users.

Recommendation

For entities of the Council's size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting.

Views of Responsible Officials and Planned Corrective Actions

The Council recognizes the deficiency and believes it is effectively handling the reporting responsibilities with the procedures described above.

Indication of repeat finding

This is a repeat finding. See finding 2017-001

SOURIS BASIN PLANNING COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

2018-002

Criteria

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

Condition

The Council has one person responsible for most accounting functions.

Cause

The Council has a limited number of staff available due to the size of the organization.

Effect

Under the current system, one individual has the ability to collect monies, deposit monies, issue checks, enter new customers, prepare customer's invoices, receive and post customers payments, and reconcile the Council's bank accounts.

Recommendation

While the Council does have some monitoring controls in place, we recommend that the Council review its current process to determine if the monitoring controls can be expanded and if any segregation controls can be economically implemented.

View of responsible officials and corrective actions

Due to the small size of the Council, it is not cost effective for the Council to properly address this significant control deficiency. Many checks and balances are in place to ensure proper handling of funds. The Finance Manager responsible for accounting functions has no signing capabilities. All outgoing checks are reviewed multiple times by the Executive Director before being issued. Check and bills are reviewed on a monthly basis by employees or Board members other than the Finance Manager and Executive Director. The Executive Director and two Board members review monthly bank registers and reconciliations to ensure accurate financial reporting.

Indication of repeat finding

This is a repeat finding. See finding 2017-002.

SOURIS BASIN PLANNING COUNCIL
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018

2017-001

Criteria

The Council does not have the internal resources to identify all journal entries required to maintain a general ledger and prepare the full-disclosure financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP).

Condition

The Council's personnel prepare periodic financial information for internal use that meets the needs of management and the Board of Directors. However, the Council does not have internal resources to identify all journal entries required to maintain a general ledger and prepare full disclosure financial statements required by GAAP for external reporting. The Council is aware of this deficiency and obtains the auditor's assistance in adjusting the general ledger in accordance with GAAP and the preparation of the Council's annual financial statements.

Cause

The Council does not have the internal expertise needed to handle all aspects of the external financial reporting.

Effect

The Council's management is aware of the deficiency and addresses it by reviewing and approving the completed statements prior to distribution to the end users.

Recommendation

For entities of the Council's size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting.

Corrective Action Taken

See current year finding 2018-001

SOURIS BASIN PLANNING COUNCIL
SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2018

2017-002

Criteria

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

Condition

The Council has one person responsible for most accounting functions.

Cause

The Council has a limited number of staff available due to the size of the organization.

Effect

Under the current system, one individual has the ability to collect monies, deposit monies, issue checks, enter new customers, prepare customer's invoices, receive and post customers payments, and reconcile the Council's bank accounts.

Recommendation

While the Council does have some monitoring controls in place, we recommend that the Council review its current process to determine if the monitoring controls can be expanded and if any segregation controls can be economically implemented.

Corrective Action Taken

See current year finding 2018-002

Souris Basin Planning Council

Corrective Action Plan – December 31, 2018

2018-001

Contact Person

Lyndsay Ulrickson, Executive Director

Corrective Action Plan

This finding is noted together with the Board. Due to the financial, efficiency, and time constraints, it has been determined by the Council's management that it is in the best interest of Souris Basin Planning Council and all interested parties to have the auditors prepare the financial statements. This condition is repeat from prior years.

Completion Date

Fiscal year 2018

2018-002

Contact Person

Lyndsay Ulrickson, Executive Director

Corrective Action Plan

This finding is noted together with the Board. The Organization will make every effort to ensure adequate internal controls. This condition is a repeat from prior years. Because of the very limited number of staff available to the Council, all of the accounting duties cannot be totally segregated in such a way as to eliminate this reportable condition. The only alternative would be the hiring of additional staff, and current cash flows do not justify it. The Organization has reviewed its internal controls and procedures in place and believe the procedures in place provide adequate controls under these circumstances.

Completion Date

The Council will implement when it becomes cost effective.

SOURIS BASIN PLANNING COUNCIL
SCHEDULE OF REVENUES AND EXPENDITURES BY PROJECT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Council	EDA Planning Grant	EDA Downtown	MAFB Land Use Study	Pierce County Rehab	CDBG	Strengthen ND	Total
REVENUES								
Grant income	\$ -	\$ 70,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70,000
Project administration	41,785	-	8,386	141,439	105,680	96,241	13,200	406,731
Partnership income	6,000	-	-	-	-	-	-	6,000
Joint powers agreements	51,006	-	-	-	-	-	-	51,006
Mileage assessments	6,019	-	-	-	-	-	-	6,019
Interest income	368	-	-	-	-	-	-	368
Miscellaneous income	2,988	-	-	-	-	-	-	2,988
Total revenues	108,166	70,000	8,386	141,439	105,680	96,241	13,200	543,112
EXPENDITURES								
Salaries & fringe	46,083	123,220	5,759	11,909	7,824	74,874	5,481	275,150
Travel	-	1,788	-	-	70	399	-	2,257
Project expense	-	-	-	123,501	88,383	-	-	211,884
Miscellaneous	3,384	698	-	-	181	243	-	4,506
Indirect	9,470	33,433	1,630	3,002	2,027	19,749	1,483	70,794
Bad debts	122	-	-	-	-	-	-	122
Total expenditures	59,059	159,139	7,389	138,412	98,485	95,265	6,964	564,713
Excess of revenues over (under) expenditures	\$ 49,107	\$ (89,139)	\$ 997	\$ 3,027	\$ 7,195	\$ 976	\$ 6,236	\$ (21,601)