

**SOURIS BASIN PLANNING COUNCIL  
MINOT, 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  
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, 2019, 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, 2019, 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 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 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 17, 2020, 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 17, 2020

**SOURIS BASIN PLANNING COUNCIL**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019

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, 2019. 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 \$1,595,551 (*net position*). Of this amount, \$156,671 (*unrestricted net position*) may be used to meet the Council's ongoing obligations.
- The Council's total net position increased by \$63,847.
- As of the close of the current fiscal year, Souris Basin Planning Council's governmental funds reported combined ending fund balances of \$1,986,719.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$167,450.

## **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 required 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, 2019

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 one type 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 general fund. Budgetary comparison statements have been provided for this fund 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 \$1,595,551 at December 31, 2019. The net position increased by \$63,847 for the year ended December 31, 2019.

Ninty-one 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, 2019**

<u>Governmental Activities</u>	<u>12/31/19</u>	<u>12/31/18</u>
Assets:		
Current and other assets	\$ 1,254,945	\$ 997,972
Notes receivable, net	927,462	963,027
Capital assets	5,615	7,106
Total Assets	<u>2,188,022</u>	<u>1,968,105</u>
Liabilities:		
Current liabilities	234,335	39,670
Long-term liabilities	358,136	396,731
Total Liabilities	<u>592,471</u>	<u>436,401</u>
Net Position:		
Net investment in capital assets	211	439
Restricted for loan programs	1,438,669	1,369,564
Unrestricted	156,671	161,701
Total Net Position	<u>\$ 1,595,551</u>	<u>\$ 1,531,704</u>
<u>Governmental Activities</u>	<u>12/31/19</u>	<u>12/31/18</u>
Revenues:		
Program revenues:		
Fees, fines, & charges for services	\$ 322,173	\$ 449,130
Operating grants & contributions	77,612	77,668
General revenues:		
Joint power agreements	56,317	51,006
Mileage assessments	4,745	6,019
Interest income	10,925	3,530
Miscellaneous	41,721	1,571
Gain on disposal of assets	-	170
Total Revenues	<u>513,493</u>	<u>589,094</u>
Expenses:		
Economic Development	393,020	524,823
Lending Programs	56,626	102,051
Total Expenses	<u>449,646</u>	<u>626,874</u>
Change in Net Position	<u>63,847</u>	<u>(37,780)</u>
Net Position, Beginning of Year	<u>1,531,704</u>	<u>1,569,484</u>
Net Position, End of Year	<u>\$ 1,595,551</u>	<u>\$ 1,531,704</u>

The Council's total revenues for 2019 and 2018 were \$513,493 and \$589,094, respectively. In 2019, 63% of the Council's revenues came from charges for services and 15% came from grants. In 2018, 76% came from charges for services and 13% came from grants.

The total cost of all programs and services was \$449,646 in 2019 and \$626,874 in 2018.



**SOURIS BASIN PLANNING COUNCIL**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**DECEMBER 31, 2019**

**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 \$548,839, a decrease of \$88,803 from the preceding year.
- Expenditures from governmental fund types totaled \$521,669 a decrease of \$186,953 from the preceding year.
- Total fund balances increased by \$27,170 for the year ended December 31, 2019.
- The general fund balance decreased by \$4,979 for the year ended December 31, 2019.

**GOVERNMENTAL FUND BUDGETARY HIGHLIGHTS**

General Fund:

- Actual revenues were \$83,793 more than budgeted and actual expenditures were \$81,418 more than budgeted due to pass through grant funds received for the USDA Housing Preservation Grant for housing rehabilitation in Pierce County and a North Dakota Department of Commerce planning grant to conduct a strategic plan for Downtown Minot. The grant funds and associated expenditures were not budgeted as actual operating income and expenses, as funds were utilized to provide grant funds for low-income housing rehabilitation in Pierce County and to secure contractors and subject-matter experts to contribute to the Downtown Minot Strategic Plan, respectively.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Council's investment in capital assets was \$5,615 at the end of fiscal year 2019 and \$7,106 at the end of fiscal year 2018 (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, 2019**

Governmental Activities	12/31/19	12/31/18
Compensated Absences Payable	\$ 10,991	\$ 10,940
USDA Rural Development Loan Payable	157,195	176,000
USDA Rural Development Loan Payable #2	223,193	241,344
Capital Lease Payable	5,404	6,667
Total Long-Term Liabilities	<u>\$ 396,783</u>	<u>\$ 434,951</u>

Additional information on the Council's long-term debt can be found in Note 4 and 5 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

For 2020:

- The Council budgeted a 5% salary increase for all full-time staff. Staff salary increases may be included in each annual budget based on funds available and staff performance.
- 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. In 2019, the Council launched the Souris Basin Community Builder program providing technical assistance and support to North Dakota communities and non-profit organizations as an intermediary site for AmeriCorps VISTA and AmeriCorps North Dakota programs. This program is funded by grants and local funds. 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.
- The Council will focus efforts on global pandemic recovery and resiliency in the region, based on existing or anticipated COVID-19 impact and general needs.

## **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, 2019**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 949,865
Accounts receivable	16,075
Pass through receivable	1,693
Accrued interest	5,443
Prepaid expenses	239
Current portion of notes receivable	256,245

Total current assets	1,229,560
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CAPITAL ASSETS, NET	5,615
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**OTHER ASSETS**

Notes receivable, net of current portion and allowance of \$127,221	927,462
Cash restricted for loan loss reserve and debt service	25,385

Total other assets	952,847
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Total assets	2,188,022
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**LIABILITIES AND NET POSITION**

**CURRENT LIABILITIES**

Current portion of notes payable	37,326
Current portion of capital lease	1,321
Accounts payable	-
Accrued liabilities	1,450
Deferred revenue	194,238

Total current liabilities	234,335
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**LONG-TERM LIABILITIES**

Compensated absences payable	10,991
Notes payable, net of current portion	343,062
Capital lease obligations payable, net of current portion	4,083

Total long-term liabilities	358,136
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Total liabilities	592,471
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**NET POSITION**

Net investment in capital assets	211
Restricted	
Loan programs	1,438,669
Unrestricted	156,671

Total net position	\$ 1,595,551
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SEE NOTES TO THE FINANCIAL STATEMENTS

**SOURIS BASIN PLANNING COUNCIL**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Program Activities	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Position
		Fees, Fines & Charges for Services	Operating Grants & Contributions	
Governmental activities				
Economic development	\$ 393,020	\$ 212,699	\$ 77,612	\$ (102,709)
Lending programs	56,626	109,474	-	52,848
Total governmental activities	<u>\$ 449,646</u>	<u>\$ 322,173</u>	<u>\$ 77,612</u>	<u>\$ (49,861)</u>
General revenues				
Joint powers agreement				\$ 56,317
Mileage assessments				4,745
Interest income				10,925
Miscellaneous				41,721
Total general revenues				<u>113,708</u>
Change in net position				63,847
Net position, January 1, 2019				1,531,704
Net position, December 31, 2019				<u><u>\$ 1,595,551</u></u>

SEE NOTES TO THE FINANCIAL STATEMENTS

**SOURIS BASIN PLANNING COUNCIL**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2019**

ASSETS	Major Funds				Total Governmental Funds
	General	Revolving Loan Fund	Intermediary Relending Program	Business Accelerator Fund	
<b>CURRENT ASSETS</b>					
Cash	\$ 149,682	\$ 452,232	\$ 154,714	\$ 193,237	\$ 949,865
Accounts receivable	16,075	-	-	-	16,075
Pass through receivable	1,693	-	-	-	1,693
Accrued interest	-	3,671	1,772	-	5,443
Prepaid expenses	212	17	10	-	239
Current portion of notes receivable	-	183,472	72,773	-	256,245
Total current assets	167,662	639,392	229,269	193,237	1,229,560
<b>OTHER ASSETS</b>					
Notes receivable, net of current portion	-	648,618	350,303	55,762	1,054,683
Allowance for uncollectible accounts	-	(14,221)	(113,000)	-	(127,221)
Cash restricted for loan loss reserve and debt service	-	-	25,385	-	25,385
Total other assets	-	634,397	262,688	55,762	952,847
<b>Total assets</b>	<b>\$ 167,662</b>	<b>\$ 1,273,789</b>	<b>\$ 491,957</b>	<b>\$ 248,999</b>	<b>\$ 2,182,407</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accrued liabilities	\$ -	\$ -	\$ 1,450	\$ -	\$ 1,450
Deferred revenue	-	-	-	194,238	194,238
Total current liabilities	-	-	1,450	194,238	195,688
<b>FUND BALANCES</b>					
Nonspendable	212	817,886	465,122	54,761	1,337,981
Spendable					
Restricted					
Loan program	-	455,903	-	-	455,903
Loan loss reserve and debt service	-	-	25,385	-	25,385
Unassigned	167,450	-	-	-	167,450
Total fund balances	167,662	1,273,789	490,507	54,761	1,986,719
<b>Total liabilities and fund balances</b>	<b>\$ 167,662</b>	<b>\$ 1,273,789</b>	<b>\$ 491,957</b>	<b>\$ 248,999</b>	<b>\$ 2,182,407</b>

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, 2019**

Total Governmental Funds Balance	\$ 1,986,719
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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	15,513	
Less accumulated depreciation	<u>(9,898)</u>	
Net capital assets		5,615

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	10,991	
USDA Rural Development debt	380,388	
Capital lease obligation	<u>5,404</u>	
Long-term liabilities		<u>(396,783)</u>

Net Position of Governmental Activities	<u><u>\$ 1,595,551</u></u>
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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, 2019**

	Major Funds				Total
	General	Revolving Loan Fund	Intermediary Relending Program	Business Accelerator Fund	Governmental Funds
<b>REVENUES</b>					
Grant Income	\$ 77,612	\$ -	\$ -	\$ 55,762	\$ 133,374
Project administration	247,021	-	-	-	247,021
Joint powers agreements	56,317	-	-	-	56,317
Partnership income	1,000	-	-	-	1,000
Mileage assessments	4,745	-	-	-	4,745
Interest income	1,030	7,300	692	1,904	10,926
Miscellaneous income	45,826	885	508	600	47,819
Interest on loans	-	36,194	11,443	-	47,637
Total revenues	433,551	44,379	12,643	58,266	548,839
<b>EXPENDITURES</b>					
Current:					
Salaries & fringe	278,106	-	-	-	278,106
Travel	4,314	235	266	-	4,815
Administrative expense	-	23,183	10,325	1,817	35,325
Project expenses	82,509	-	-	-	82,509
Miscellaneous	6,899	4,458	37	1,688	13,082
Indirect	66,702	-	-	-	66,702
Total current expenditures	438,530	27,876	10,628	3,505	480,539
Debt service:					
Rural Development - interest	-	-	4,174	-	4,174
Rural Development - principal	-	-	36,956	-	36,956
Total debt service expenditures	-	-	41,130	-	41,130
Total expenditures	438,530	27,876	51,758	3,505	521,669
<b>EXCESS REVENUE OVER (UNDER)</b>					
<b>EXPENDITURES</b>	(4,979)	16,503	(39,115)	54,761	27,170
<b>FUND BALANCE, BEGINNING OF YEAR</b>	172,641	1,257,286	529,622	-	1,959,549
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 167,662</u>	<u>\$ 1,273,789</u>	<u>\$ 490,507</u>	<u>\$ 54,761</u>	<u>\$ 1,986,719</u>

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, 2019**

Net Change in Fund Balances - Total Governmental Funds	\$ 27,170
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The change in net position reported for governmental activities in the statement of activities is different because:

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:	(1,491)
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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:	36,956
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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:	1,263
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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:	<div style="border-top: 1px solid black; display: inline-block;">(51)</div>
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Total Change in Net Position of Governmental Activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block;">\$ 63,847</div>
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SEE NOTES TO THE FINANCIAL STATEMENTS



**SOURIS BASIN PLANNING COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**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.

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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.

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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 available to be borrowed again.

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 available to be borrowed again.

Business Accelerator Fund – The Business Accelerator Fund provides loans to entities through funds from the City of Minot MAGIC Fund. As loans are repaid, the revolved funds are available to be borrowed again.

**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.

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*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.

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 fund 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.

**SOURIS BASIN PLANNING COUNCIL**  
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**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.

**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 Equipment and Software      5 years

**Notes Receivable and Allowance for Bad Debts**

Notes receivable represent funds advanced to borrowers under various federal and local 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 \$362,981. There have been no write-offs on the Intermediary Relending Program (IRP) or Business Accelerator Fund (BAF) loans since inception of the programs. An allowance of \$127,221 for bad debts has been established to account for potential uncollectible accounts for the Revolving Loan Fund (RLF), Intermediary Relending Program (IRP), Business Accelerator (BAF) loans. Management believes the estimated allowance for the RLF, IRP and BAF 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.

**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.

**SOURIS BASIN PLANNING COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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**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.

**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.

**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 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.



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**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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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, 2019, 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, 2019, approximately \$216,000 of the Council's deposits were not fully covered by FDIC insurance; however, the Council did have adequate pledged securities to cover 110% of the amount in excess of FDIC insurance in accordance with the North Dakota Century Code.

**SOURIS BASIN PLANNING COUNCIL**  
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**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 three separate loan programs consisting of the following:

Intermediary Relending Program	
loans bearing interest from 4.90% to 5.70%, with maturity dates ranging from 2020 through 2025, secured with personal guarantees, inventory, property, and equipment.	\$ 423,076
Less: current portion of notes receivable	<u>(72,773)</u>
Total long-term notes receivable	350,303

Less: allowance for doubtful accounts	<u>(113,000)</u>
Total long-term notes receivable, net	<u><u>\$ 237,303</u></u>

Revolving Loan Fund	
loans bearing interest from 4.00% to 6.20%, with a maturity dates ranging from 2020 through 2025, secured with personal guarantees, inventory, property and equipment.	\$ 832,090
Less: current portion of notes receivable	<u>(183,472)</u>
Total long-term notes receivable	648,618

Less: allowance for doubtful accounts	<u>(14,221)</u>
Total long-term notes receivable, net	<u><u>\$ 634,397</u></u>

Business Accelerator Fund	
loans bearing interest of 2.40%, maturing on March 1, 2025, secured with personal guarantees, inventory, property and equipment.	\$ 55,762
Less: current portion of notes receivable	<u>-</u>
Total long-term notes receivable	55,762

Less: allowance for doubtful accounts	<u>-</u>
Total long-term notes receivable, net	<u><u>\$ 55,762</u></u>

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



**SOURIS BASIN PLANNING COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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*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.

*Business Accelerator Fund* – The Business Accelerator Fund provides loans to entities through funds from the City of Minot MAGIC Fund.

The Council has established an allowance for bad debts of \$127,221 for the RLF, IRP and BAF notes as of December 31, 2019.

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

The following table presents information data by class of financing receivable regarding their age and interest accrual status at December 31, 2019:

	Past Due			Total Past Due	Total Financing Receivables on Nonaccrual Status
	30 - 59 Days	60 - 89 Days	> 90 Days		
IRP	\$ -	\$ -	\$ 113,160	\$ 113,160	\$ 113,160

**NOTE 4      LONG-TERM LIABILITIES**

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

	Balance 1/1/2019	Increases	Decreases	Balance 12/31/19	Due Within One Year
IRP #1 USDA note payable	\$ 176,000	\$ -	\$ (18,805)	\$ 157,195	\$ 18,993
IRP #2 & #3 USDA note payable	241,344	-	(18,151)	223,193	18,333
Compensated absences*	10,940	51	-	10,991	-
Capital lease obligation	6,667	-	(1,263)	5,404	1,321
Total long-term liabilities	<u>\$ 434,951</u>	<u>\$ 51</u>	<u>\$ (38,219)</u>	<u>\$ 396,783</u>	<u>\$ 38,647</u>

\*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 2019 on the USDA Rural Development loans was \$4,174.

**SOURIS BASIN PLANNING COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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**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 \$423,076. \$    157,195

\$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 \$423,076. 223,193  
380,388

Less: current maturities included in long-term debt (37,326)

Total notes payable \$    343,062

Notes payable are expected to mature as follows:

Year ending December 31,	Principal	Interest	Total
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
2024	38,842	2,288	41,130
2023-2027	158,598	5,746	164,344
2028-2031	31,390	425	31,815
	<u>\$    380,388</u>	<u>\$    21,421</u>	<u>\$    401,809</u>

**NOTE 6        CAPITAL ASSETS**

Following is a summary of changes in capital assets for the year ended December 31, 2019:

	Balance 1/1/2019	Additions	Deletions	Balance 12/31/19
Office equipment and software	\$    15,513	\$           -	\$           -	\$    15,513
Accumulated depreciation	<u>(8,407)</u>	<u>(1,491)</u>	<u>-</u>	<u>(9,898)</u>
Governmental capital assets, net	<u>\$       7,106</u>	<u>\$    (1,491)</u>	<u>\$           -</u>	<u>\$       5,615</u>

Depreciation expense of \$1,491 was charged to the economic development program on the statement of activities during 2019.

**SOURIS BASIN PLANNING COUNCIL**  
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**NOTE 7        RESTRICTED NET POSITION/RESTRICTED FUND BALANCES**

The restricted net position and restricted fund balances are the result of the revolving loan fund, intermediary relending program, and the business accelerator fund. 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 (NDIRF), 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 NDIRF for its general insurance coverage. The coverage by NDIRF 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 2019 was \$31,663.

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

2020    \$    18,564

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 2019.

The following is a summary of equipment held under capital lease at December 31, 2019:

Capitalized copier	\$    6,873
Less: accumulated amortization	<u>(1,469)</u>
Capitalized copier, net	<u>\$    5,404</u>

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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	Net Payments
2020	\$ 1,537	\$ 216	\$ 1,321
2021	1,537	155	1,382
2022	1,537	92	1,445
2023	1,282	26	1,256
	<u>\$ 5,893</u>	<u>\$ 489</u>	<u>\$ 5,404</u>

**NOTE 10 RETIREMENT PLAN**

The Council participates in a simple investment retirement account (Simple IRA) plan, which is administered by American Funds. In order to participate in the plan, employees must complete the probation period and earn at least \$5,000 in annual compensation with the Council. Once the employee achieves eligibility, the employee may choose to contribute to the Plan not to exceed an annual contribution of \$13,000. Employees 50 years or older may contribute an additional \$3,000. All employee contributions are deducted from compensation before taxes are assessed. The Council will match employee contributions dollar for dollar up to 3% of the employee's compensation. All contributions are 100% vested immediately. During the year ended December 31, 2019, the Council's contributed \$6,804 in employer matching contributions.

**NOTE 10 FUTURE GASB PRONOUNCEMENTS**

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, 2019. 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 June 15, 2021. Earlier application is encouraged.

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GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that result from the replacement of IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

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GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.



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**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2019**

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

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

With the exception of the new standards discussed above, we have not identified any other new accounting pronouncements that have potential significance to the Council's Financial Statements.

**NOTE 11      SUBSEQUENT EVENTS**

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 has been allowed to remain open, the restrictions and government social distancing recommendations have dramatically impacted the businesses who owe the Council monthly principal and interest payments as part of the Revolving Loan Fund, Intermediary Relending Program and the Business Accelerator Fund. While the Council expects this matter to negatively impact its results of operations and financial condition, the extent of the impact is uncertain.

No other significant events occurred subsequent to the Council's year end. The Council has evaluated subsequent events through July 17, 2020, 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, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Grant Income	\$ -	\$ -	\$ 77,612	\$ 77,612 (1)
Project administration	247,955	263,371	247,021	(16,350) (1)
Joint powers agreements	56,317	56,317	56,317	-
Partnership income	-	-	1,000	1,000
Mileage assessments	5,900	4,745	4,745	-
Interest income	325	325	1,030	705
Miscellaneous income	18,000	25,000	45,826	20,826
Total revenues	328,497	349,758	433,551	83,793
EXPENDITURES				
Current:				
Salaries & fringe	276,055	281,288	278,106	(3,182)
Travel	-	-	4,314	4,314
Project expenses	-	-	82,509	82,509 (2)
Miscellaneous	6,900	8,256	6,899	(1,357)
Indirect	68,760	67,568	66,702	(866)
Total current expenditures	351,715	357,112	438,530	81,418
Total Expenditures	351,715	357,112	438,530	81,418
EXCESS REVENUE OVER (UNDER) EXPENDITURES	(23,218)	(7,354)	(4,979)	2,375
FUND BALANCE, BEGINNING OF YEAR	172,641	172,641	172,641	-
FUND BALANCE, END OF YEAR	<u>\$ 149,423</u>	<u>\$ 165,287</u>	<u>\$ 167,662</u>	<u>\$ 2,375</u>

SEE NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION

**SOURIS BASIN PLANNING COUNCIL**  
**NOTES TO THE BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**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 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.

Actual revenues were \$83,793 more than budgeted and actual expenditures were \$81,418 more than budgeted.

- (1) The Council did not budget for grant income, but rather included all anticipated funds as project administration funds for the year ended December 31, 2019.
- (2) The Council did not budget for pass through grant funds received for the USDA Housing Preservation Grant for housing rehabilitation in Pierce County and Minot Strategic Planning grant to conduct a strategic plan for Downtown Minot. The grant funds and associated expenditures were not budgeted as actual operating income and expenses, as funds were utilized to provide grant funds for low-income housing rehabilitation in Pierce County and to secure contractors and subject-matter experts to contribute to the Downtown Minot Strategic Plan, respectively.

The Council will begin to budget for known pass through revenues and expenditures during the 2020 budget cycle.

**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, 2019 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 17, 2020.

## **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 a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2019-001 that we consider to be a material weakness.

## **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 Response to Finding**

Souris Basin Planning Council's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Souris Basin Planning 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.**  
**MINOT, NORTH DAKOTA**

July 17, 2020

## 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, 2019. 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, 2019.

### **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 17, 2020

**SOURIS BASIN PLANNING COUNCIL**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

<b><i>Federal Grantor/Program or Cluster Title</i></b>	<b><i>Identifying Pass-Through Grant Number</i></b>	<b><i>Federal CFDA Number</i></b>	<b><i>Federal Expenditures</i></b>
<b><u>U.S. Department of Commerce, Economic Development Administration Public Works</u></b>			
Economic Adjustment Assistance		11.307	\$ 1,035,385
Economic Development Support for Planning Organizations		11.302	70,000
Passed through ND Department of Commerce: Americorps	18AFHND001	94.006	6,241
<b>Total U.S. Department of Commerce</b>			<b>1,111,626</b>
<b><u>Department of Housing and Urban Development</u></b>			
Passed through ND Division of Community Services:			
Community Development Block Grants	Unknown	14.228	7,612
National Disaster Resilience Competition	Unknown	14.272	17,500
<b>Total Department of Housing and Urban Development</b>			<b>25,112</b>
<b><u>United States Department of Agriculture, Rural Development</u></b>			
Intermediary Relending Program		10.767	417,344
Rural Housing Preservation Grants		10.433	88,341
<b>Total United States Department of Agriculture</b>			<b>505,685</b>
<b><i>Total Expenditures of Federal Awards</i></b>			<b><i>\$ 1,642,423</i></b>

SEE NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**SOURIS BASIN PLANNING COUNCIL**  
**NOTES TO THE SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported in the schedule of expenditures of federal awards (the "Schedule") are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in 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 to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 3 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, 2019. 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 4 OUTSTANDING LOANS**

The Council has the following outstanding federal loans. The beginning balance of the outstanding loans for the current year are also included in the federal expenditures presented in the schedule due to ongoing compliance requirements.

	Federal CFDA Number	Beginning Balance	Ending Balance
Intermediary Relending Program	10.767	\$ 417,344	\$ 380,388



**SOURIS BASIN PLANNING COUNCIL**  
NOTES TO THE SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 5 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 4 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	452,232
Current year loans written off	65,779
Current year administrative expenses	23,183
Total expenditures	1,396,150
Federal percentage	74.16%
Total federal expenditures	<u>\$ 1,035,385</u>

**NOTE 6 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 Housing Preservation Grant	\$ 88,341
Americorps Administration income	6,241
HUD National Disaster Resilience Competition	17,500
Federal portion of Project Administration revenue	<u>112,082</u>
Non-federal portion of Project Administration revenue	134,939
Total Project Administraion revenue	<u>\$ 247,021</u>

**NOTE 7 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 - general fund	\$ 77,612
Balance of IRP loan as stated in SEFA footnote 3	417,344
Federal expenditures of Revolving Loan Fund as calculated in SEFA footnote 4	1,035,385
Federal portion of Project Administration revenue as noted in SEFA footnote 5	112,082
Total federal awards as stated on the SEFA schedule	<u>\$ 1,642,423</u>

**SOURIS BASIN PLANNING COUNCIL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED 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 that are  
not considered to be material weakness(es)?

       yes   x   none

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 that are  
not considered to be material weakness(es)?

       yes   x   none

Type of auditor's report issued on compliance  
for major programs:

Unmodified

Any audit findings disclosed that are  
required to be reported in accordance with  
the 2 CFR 200.516(a).

       yes   x   no

Identification of major programs:

CFDA Number(s)

Names of Federal Programs or Clusters

11.307                      Economic Adjustment Assistance – Economic Development Administration

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

\$750,000

Auditee qualified as low-risk auditee?

       yes   x   no

**SOURIS BASIN PLANNING COUNCIL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**Section II – Financial Statement Findings**

**2019-001 Material Weakness: Preparation of Financial Statements and Journal Entries**

Criteria

The Council should 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 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 entity 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

Accounting personnel will need to determine the proper balance in each general ledger account prior to audit. We recommend that the entity reviews its current training system to determine if it is cost effective for the entity to obtain this knowledge internally. In addition, as a compensating control the Council 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.

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 findings 2018-001 and 2018-002.

**Section III – Federal Award Findings and Questioned Costs**

There are no findings which are required to be reported under this section.

**SOURIS BASIN PLANNING COUNCIL**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**2018-001 Material Weakness: Preparation of Financial Statements and Journal Entries**

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 entity 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

Accounting personnel will need to determine the proper balance in each general ledger account prior to audit. We recommend that the entity reviews its current training system to determine if it is cost effective for the entity to obtain this knowledge internally. In addition, as a compensating control the Council 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.

Corrective Action Taken

See current year finding 2019-001.

**SOURIS BASIN PLANNING COUNCIL**  
**SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**2018-002 Material Weakness: Journal Entries**

Criteria

The Council is required to maintain internal controls at a level where underlying support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Condition

During our audit, material adjusting entries to the financial statements were proposed in order to bring the financial statements into compliance with US GAAP. The Council is required to maintain internal controls at a level where a determination can be made that the general ledger accounts are properly reflected in accordance with US GAAP.

Cause

The Council's internal controls have not been designed to address the specific training needs that are required of its personnel to obtain and maintain knowledge of current accounting principles to the level required to prevent and detect all material misstatements.

Effect

The Council does not maintain internal controls at a level where a determination can be made that the general ledger accounts are properly reflected in accordance with US GAAP.

Recommendation

In order to comply with this requirement, accounting personnel will need to determine the proper balance of each general ledger account prior to the start of the audit.

Corrective Action Taken

See current year finding 2019-001.

**Corrective Action Plan – December 31, 2019**  
**2019-001**

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, including assistance with year-end journal entries. This condition is repeat from prior years.

Completion Date: The Council will implement when it becomes cost effective.