

***TRI-COUNTY REGIONAL
DEVELOPMENT COUNCIL***

AUDIT REPORT

December 31, 2019

TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL
Williston, North Dakota

TABLE OF CONTENTS
For the Year Ended December 31, 2019

	<u>PAGE(S)</u>
List of Officials	1
Auditor's Report:	
Independent Auditor's Report	2 – 4
Required Supplementary Information:	
Management's Discussion and Analysis	5 – 8
Basic Financial Statements:	
<i>Government-wide Financial Statements</i>	
Statement of Net Position	9
Statement of Activities	10
<i>Fund Financial Statements</i>	
Balance Sheet – Governmental Funds	11
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	14
Statement of Assets and Liabilities – Fiduciary Funds	15
Notes to the Financial Statements	16 – 22
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund	23
Notes to Required Supplementary Information	24
Independent Accountant'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 <i>Government Auditing Standards</i>	25 – 26
Schedule of Findings	27

TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL

LIST OF OFFICIALS

December 31, 2019

Board members as of December 31, 2019:

Fran Zerr, Chairman

Pat Hatlestad, Vice-Chairman

Abby Salinas

Alfred Slater

Beau Anderson

Bert Anderson

Betty Brown

Dale Patten

Daniel Stenberg

Doug Graupe

Dr. John Miller

Drake McClelland

Gary Sukut

Gene Veeder

Gerald Brady

Ginger Meininger

Hercules Cummings

Jay Olson

Kaycee Lindsey

Keith Olson

Kent Pedersen

Philip Riely

Sabrina Ferguson

Shawn Wenko

Tate Cymbaluk

Wawnita Best

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tri-County Regional Development Council
Williston, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Tri-County Regional Development Council 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.

INDEPENDENT AUDITOR'S REPORT

Basis for Qualified Opinions on EDA and RD Revolving Loan Funds

Management has not included Notes Receivable in the EDA and RD Revolving Loan Funds in the fund financial statements. Accounting principles generally accepted in the United States of America require that Notes Receivable be included as an asset in the fund financial statement, which would increase the assets and fund balance and change the revenues and expenses in the EDA and RD Revolving Loan Funds. The amount by which this departure would increase the assets and non-spendable fund balance is \$95,314 in the EDA Loan Fund and \$50,373 in the RD Revolving Loan Fund. Revenues would decrease by the principal payments received which amount to \$39,447 in the EDA Revolving Loan Fund and \$28,554 in the RD Revolving Loan Fund.

Qualified Opinions

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinions on EDA and RD Revolving Loan Funds” paragraph, the financial statements referred to above present fairly, in all material respects, the financial positions of the EDA and RD Revolving Loan Funds of the Tri-County Regional Development 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.

Unmodified 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 the General Fund of the Tri-County Regional Development 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 on pages 5 through 8 and 23 through 24 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.

INDEPENDENT AUDITOR'S REPORT

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2020 on our consideration of the Tri-County Regional Development 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 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 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 Tri-County Regional Development Council's internal control over financial reporting and compliance.

Haga Kommer, Ltd.

Haga Kommer, Ltd.
Mandan, North Dakota
July 31, 2020

TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

This section of the Tri-County Regional Development 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 Council had an increase in net position of \$10,067 for the year ended December 31, 2019.
- There was \$68,001 of principal payments and \$7,415 of interest collected on notes receivable.

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 three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the Council's overall finances.
- 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 financial statements.
 - The *governmental funds* statements tell how *general government* services were financed in the short term as well as what remains for future spending.
 - *Fiduciary fund* statements provide information about the financial relationships in which the Council acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements may be 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 (pages 9-10) 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 the government's assets and liabilities. The statement of activities includes all the current year's revenues and expenses regardless of when cash is received or paid.

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 is an indicator of whether its financial health is improving or deteriorating, respectively. But to assess the overall health of the Council, you also need to consider nonfinancial factors.

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

TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

Fund Financial Statements

The fund financial statements (pages 11-15) provide more detailed information about the Council's most significant *funds* – not the Council as a whole. Funds are accounting devices that the Council uses to keep track of specific sources of funding and spending for particular purposes. The Council uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Council has two kinds of funds:

- *Governmental funds* – Most of the Council's basic services are included in governmental funds, which 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 fund 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 funds statement that explains the differences between the governmental funds statement and the government-wide statement.
- *Fiduciary* – This Council is the trustee, or fiduciary, for certain funds. The Council is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All the Council's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the Council's government-wide financial statements because the Council cannot use these assets to finance its operations.

The Council adopts an annual budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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 \$274,959 at December 31, 2019. The net position increased by \$10,067 for the year ended December 31, 2019.

The Council has restricted net position of \$248,714 for the revolving loan fund programs. Unrestricted net position had a balance of \$25,838 at December 31, 2019. The Council has a net investment in capital assets of \$407.

TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019

<u>Governmental Activities</u>	<u>2019</u>	<u>2018</u>
Assets:		
Current Assets	\$ 144,474	\$ 72,750
Notes Receivable, Net	145,687	208,342
Capital Assets, Net of Depreciation	407	891
Total Assets	<u>290,568</u>	<u>281,983</u>
Liabilities and Deferred Inflows of Resources:		
Long-term Liabilities	15,589	17,071
Unavailable Revenue	20	20
Total Liabilities and Deferred Inflows of Resources	<u>15,609</u>	<u>17,091</u>
Net Position:		
Net Investment in Capital Assets	407	891
Restricted for Loan Programs	248,714	243,987
Unrestricted	25,838	20,014
Total Net Position	<u>\$ 274,959</u>	<u>\$ 264,892</u>

<u>Governmental Activities</u>	<u>2019</u>	<u>2018</u>
Revenues:		
Program Revenues:		
Fees, Fines, & Charges for Services	\$ 62,364	\$ 93,764
Operating Grants & Contributions	77,612	77,618
General Revenues:		
Dues	100,000	100,000
Interest Income	93	85
Miscellaneous	808	1,195
Total Revenues	<u>240,877</u>	<u>272,662</u>
Expenses:		
Economic Development	224,508	247,857
Lending Programs	6,302	27,647
Total Expenses	<u>230,810</u>	<u>275,504</u>
Change in Net Position	10,067	(2,842)
Net Position, Beginning of Year	264,892	267,734
Net Position, End of Year	<u>\$ 274,959</u>	<u>\$ 264,892</u>

The Council's total revenues were \$240,877 in 2019 and \$272,662 in 2018. Fees, fines, and charges for services provided 26 percent of revenues in 2019 and 34 percent of revenues in 2018. Grants provided 32 percent of revenues in 2019 and 28 percent in 2018. Dues provided 42 percent of revenues in 2019 and 37 percent of revenues in 2018. The total cost of all programs and services was \$230,810 in 2019 and \$275,504 in 2018.

TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
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 \$308,878 in 2019 and \$336,076 in 2018.
- Total expenditures were \$237,154 in 2019 and \$382,355 in 2018.
- The RD Revolving Loan Fund transferred \$3,118 to the General Fund and the EDA Revolving Loan Fund transferred \$5,746 to the General Fund.
- Total fund balances increased by \$71,724 for the year ended December 31, 2019.
- The general fund balance increased by \$4,342.

CAPITAL ASSETS

The Council has office equipment recorded as capital assets. Details of the capital assets are in Note 3.

LONG-TERM LIABILITIES

The only long-term liabilities of the Council are compensated absences. Details of these are in Note 5.

GOVERNMENTAL FUND BUDGETARY HIGHLIGHTS

General Fund:

- Actual revenues were \$13,277 less than budgeted. The Council received \$13,576 less from CDBG Projects due to fund availability.
- Actual expenditures were \$9,791 less than budget. Benefits and travel expenditures were under budget by \$3,129 and \$2,955 respectively.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The Council has budgeted revenues at \$235,902 for 2020.
- The Council has budgeted expenses at \$251,533 for 2020.
- If these estimated amounts are realized, the Council will deplete cash reserves by \$15,631.

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 22 East Broadway Avenue, PO Box 697, Williston, North Dakota 58802-0697.

TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL

STATEMENT OF NET POSITION

December 31, 2019

	<u>Governmental Activities</u>
ASSETS:	
Cash & Cash Equivalents	\$ 143,874
Prepaid Expenses	600
Notes Receivable, Net	145,687
Capital Assets, Net of Depreciation	<u>407</u>
Total Assets	290,568
 LIABILITIES:	
Current Liabilities:	
Non-current Liabilities:	
Portion Due After One Year	
Compensated Absences Payable	15,589
Deferred Inflows of Resources:	
Unavailable Revenue	<u>20</u>
Total Liabilities and Deferred Inflows of Resources	<u>15,609</u>
 NET POSITION:	
Net Investment in Capital Assets	407
Restricted for:	
Loan Programs	248,714
Unrestricted	<u>25,838</u>
Total Net Position	<u>\$ 274,959</u>

TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

Program Activities	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Fees, Fines & Charges for Services	Operating Grants & Contributions	
Governmental Activities:				
Economic Development	\$ 224,508	\$ 54,949	\$ 77,612	\$ (91,947)
Lending Programs	<u>6,302</u>	<u>7,415</u>	<u>-</u>	<u>1,113</u>
Total Governmental Activities	230,810	62,364	77,612	(90,834)
General Revenues				
County Dues				100,000
Interest Income				93
Miscellaneous				<u>808</u>
Total General Revenues				<u>100,901</u>
Change in Net Position				10,067
Net Position, December 31, 2018				<u>264,892</u>
Net Position, December 31, 2019				<u><u>\$ 274,959</u></u>

TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2019

	Major Funds			Total Governmental Funds
	General	EDA Revolving Loan Fund	RD Revolving Loan Fund	
ASSETS				
Cash & Cash Equivalents	\$ 40,847	\$ 58,176	\$ 44,851	\$ 143,874
Prepaid Expenses	<u>600</u>	<u>-</u>	<u>-</u>	<u>600</u>
TOTAL ASSETS	<u><u>\$ 41,447</u></u>	<u><u>\$ 58,176</u></u>	<u><u>\$ 44,851</u></u>	<u><u>\$ 144,474</u></u>
 DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Deferred Inflows of Resources:				
Unavailable Revenue	<u>\$ 20</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20</u>
Total Deferred Inflows of Resources	20	-	-	20
 Fund Balances:				
Nonspendable:				
Prepaid Expenses	600	-	-	600
Restricted for Loan Programs	-	58,176	44,851	103,027
Unassigned	<u>40,827</u>	<u>-</u>	<u>-</u>	<u>40,827</u>
Total Fund Balances	<u>41,427</u>	<u>58,176</u>	<u>44,851</u>	<u>144,454</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 <u><u>\$ 41,447</u></u>	 <u><u>\$ 58,176</u></u>	 <u><u>\$ 44,851</u></u>	 <u><u>\$ 144,474</u></u>

TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2019

Total <i>Fund Balances</i> for Governmental Funds	\$	144,454
<p>Total <i>net position</i> reported for governmental activities in the statement of net position is different because:</p>		
<p>Notes receivable are not receivable in the current period and are not reported as fund assets. All receivables, both current and long-term, are reported in the statement of net position.</p>		
Notes receivable, net of allowance for uncollectible accounts		145,687
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$15,387, and the accumulated depreciation is \$14,980</p>		
		407
<p>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.</p>		
Compensated Absences Payable		<u>(15,589)</u>
Total Net Position of Governmental Activities	\$	<u>274,959</u>

TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2019

	Major Funds			Total Governmental Funds
	General	EDA Revolving Loan Fund	RD Revolving Loan Fund	
Revenues:				
Federal Sources:				
EDA Planning Grant	\$ 70,000	\$ -	\$ -	\$ 70,000
CDBG Administration	7,612	-	-	7,612
State & Local Sources:				
CDBG Project Administration	14,424	-	-	14,424
County Dues	100,000	-	-	100,000
Special Project	1,450	-	-	1,450
Contract Services	39,040	-	-	39,040
CDLF Loan Servicing Fees	35	-	-	35
Miscellaneous	-	578	230	808
Interest Income - Bank	62	-	31	93
Principal Payments on Loans	-	39,447	28,554	68,001
Interest on Loans	-	4,625	2,790	7,415
Total Revenues	232,623	44,650	31,605	308,878
Expenditures:				
Current:				
Salaries	142,873	-	-	142,873
Benefits	63,083	-	-	63,083
Dues & Memberships	1,932	-	-	1,932
Audit	6,962	-	-	6,962
Advertising	310	-	-	310
Equipment & Lease	379	-	-	379
Office Supplies & Printing	2,095	-	-	2,095
Postage	717	-	-	717
Contract Services	8,580	-	-	8,580
Rent	1,200	-	-	1,200
Telephone & Fax	3,134	-	-	3,134
Travel	4,045	-	-	4,045
Insurance	826	-	-	826
Miscellaneous	1,009	4	5	1,018
Total Current Expenditures	237,145	4	5	237,154
Excess of Revenues Over (Under)				
Expenditures	(4,522)	44,646	31,600	71,724
Other Financing Sources and (Uses)				
Fund Transfers	8,864	(5,746)	(3,118)	-
Total Other Financing Sources and (Uses)	8,864	(5,746)	(3,118)	-
Excess of Revenues and Other Sources Over				
(Under) Expenditures and Other Uses	4,342	38,900	28,482	71,724
Fund Balance - December 31, 2018	37,085	19,276	16,369	72,730
Fund Balance - December 31, 2019	\$ 41,427	\$ 58,176	\$ 44,851	\$ 144,454

TRI-COUNTY REGIONAL DEVELOPMENT 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 \$ 71,724

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

Payments on notes receivable are reported as revenues in the governmental funds, but the repayment reduces the notes receivable in the statement of net position. The amount of principal payments received on notes receivable is:

Current year principal payments received (68,001)

The current year adjustment to the allowance for uncollectible accounts does not use current financial resources; therefore is not reported in the governmental funds. The current year adjustment is:

5,346

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The effect of various transactions involving capital assets consist of:

Current Year Depreciation Expense (484)

The change in compensated absences payables does not (provide) use current financial resources; therefore is not reported in the governmental funds. The amount of the decrease is:

1,482

Change in Net Position of Governmental Activities \$ 10,067

TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2019

	<u>Agency Funds</u>
ASSETS	
Cash & Cash Equivalents	\$ <u>34</u>
TOTAL ASSETS	\$ <u>34</u>
LIABILITIES	
Due to State - Division of Community Service	\$ <u>34</u>
TOTAL LIABILITIES	\$ <u>34</u>

TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tri-County Regional Development 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. 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 purposes of coordination, work with state departments, agencies, and institutions in reviewing and commenting on all plans for 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 expend 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.
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 business incubator and regional council administrative functions.

TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Following is a summary of the more significant policies:

A. Reporting Entity

The accompanying financial statements present the activities of the Tri-County Regional Development Council. The Council has considered all potential component units for which the Council is financially accountable and other organizations for which the nature and significance of their relationships with the Council are such that exclusion would cause the Council's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization's governing body and the ability of the Council to impose its will on that organization or the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Council. Based on these criteria, there are no component units to be included within the Council as a reporting entity and the Council is not includable as a component unit within another reporting entity.

B. Basis of Presentation

Government-wide financial statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government but exclude fiduciary funds. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Council's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses are those benefiting more than one function and include administrative and supporting services. Program revenues include fees, fines and charges paid by the recipients of goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented 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.

EDA Revolving Loan Fund – This was established to provide loans to entities through federal and donated funds. A federal grant provided 75 percent of the loan funds with the remaining 25 percent coming from local match. As loans are repaid, the revolved funds are loaned.

RD Revolving Loan Fund – This was established with a Rural Development RBEG award and matching funds to provide economic development loans. As loans are repaid, the revolved funds will be loaned.

TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. 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. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Council gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Transactions between funds, if any, are eliminated in the government-wide financial statements.

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 judgments, 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, there are both restricted and unrestricted net positions available to finance the program. It is the Council's policy to apply cost-reimbursement grant resources to such programs, and then general revenues.

D. Cash and Investments/Deposits

In accordance with North Dakota statutes, the Council maintains deposits at depository banks designated by the governing board which are members of the Federal Reserve System.

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 and bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

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 any 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 body and bonds issued by any other state of the United States or such other securities approved by the banking board.

TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The bank balances of all Council funds at December 31, 2019, were \$144,030; the carrying balances at this date were \$143,908. The difference results from checks outstanding or deposits not yet processed. Federal depository insurance was adequate at December 31, 2019.

The Council may invest idle funds as authorized in North Dakota Statutes, as follows:

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

Concentration of credit risk: The Council does not have a limit on the amount the Council may invest in any one issuer.

E. Capital Assets

The Council records property and equipment additions at cost. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. Depreciation on capital assets is calculated using the straight-line methods over the estimated useful lives of 5 to 10 years for equipment.

F. Compensated Absences

Employees earn annual leave based on the following schedule: during the first three years of employment with the Council, 12 (eight hour) days are earned per year; in the 4th through 7th years, 15 days are earned per year; in the 8th through 12th years, 18 days are earned per year; in the 13th through 18th years, 21 days are earned per year; over 18 years, 24 days are earned each year. Annual leave may be taken any time upon completion of one month of service. Any accumulated leave not used in the year after the year in which it was earned is forfeited without pay. Upon termination of employment, the employee shall be paid for all unused annual leave. Accumulated leave dollar amounts are determined by dividing each employee's annual salary by 2,080 hours to determine an hourly rate. This hourly rate is then taken times each employee's hours of annual leave to determine the accrued annual leave dollar amount.

Salaried employees also accumulate annual leave for any overtime worked. For each hour of overtime, the employee receives an additional hour of annual leave. Sick leave is earned by employees at the rate of eight hours per month. Accumulated sick leave will not be compensated upon termination of employment.

G. Allowance for Bad Debts

An allowance of \$13,271 for bad debts has been established for the Revolving Loan Fund (RLF) and RD Revolving Loan Fund (RD RLF) based on management's estimate of uncollectible loans.

H. Tax-Exempt Status

In addition to being recognized as a political subdivision by the State of North Dakota, the Council is a tax-exempt entity under IRC Section 501(c)(4). The appropriate information returns have been filed.

TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

I. 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 – inventories; or (b) legally or contractually required to be maintained intact.

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

Restricted – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantor, contributors, or laws or regulations of other government; 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 Council’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Council 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 Council 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, the Council’s preference is to first use restricted resources, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

J. Encumbrance Accounting

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

NOTE 2 NOTES RECEIVABLE

Tri-County Regional Development Council provides loans to businesses and local governments in its region for start-up, expansion and capital improvements.

EDA Revolving Loan Fund – The Revolving Loan Fund was established to provide loans to entities through federal and donated funds. The Council received a grant of \$200,000 from EDA and local match of \$70,000 was required. Match for the grant was provided with CDLF loans. As loans are repaid, the revolved funds must be used for new loans. As of December 31, 2019, the amount of outstanding principal on the loans was \$105,934.

RD Revolving Loan Fund – The RD Revolving Loan fund was established to provide loans to entities through a federal RBEG and matching funds. As loans are repaid, the revolved funds must be used for new loans. As of December 31, 2019, the amount of outstanding principal on the loans was \$53,026.

TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 3 CAPITAL ASSETS

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

	Equipment	Accumulated Depreciation	Net
Balance, December 31, 2018	\$ 15,387	\$ 14,496	\$ 891
Increases - Calendar Year 2019	-	484	(484)
Decreases - Calendar Year 2019	-	-	-
Balance, December 31, 2019	\$ 15,387	\$ 14,980	\$ 407

Depreciation expense of \$484 was charged to the economic development activity on the statement of activities.

NOTE 4 UNAVAILABLE REVENUE

Unavailable revenue includes federal grant funds that have been received but not yet expended for the grant purposes. These funds would have to be paid back to the federal government if not expended for grant purposes.

NOTE 5 LONG-TERM LIABILITIES

Long-term liabilities include compensated absences payable of \$15,589. Changes in long-term liabilities for the year are as follows:

	Compensated Absences*
Balance, December 31, 2018	\$ 17,071
Change in Compensated Absences	(1,482)
Balance, December 31, 2019	\$ 15,589

*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. It also is not possible to determine the current portion expected to be used in the next year.

NOTE 6 RETIREMENT BENEFITS

The Council has a 401(k) plan for employees with American State Bank & Trust. The Council matches up to seven percent of the employee's contribution to the plan. Total employer expense for 2019 was \$6,906 and the total employee contributions were \$6,906.

NOTE 7 LEASES

The Council leases office space for \$1,200 for 12 month periods ending in June each year. Total rent expense for 2019 was \$1,200. The annual rent is due July 1 of each year. Prepaid rent of \$600 has been recorded.

TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

NOTE 8 RESTRICTED NET POSITION/RESTRICTED FUND BALANCES

The restricted net position and restricted fund balances are the result of the revolving loan fund program. These funds are to continue being loaned under the provisions of the loan program.

NOTE 9 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 10 EXPENDITURES IN EXCESS OF BUDGET

For the year ended December 31, 2019, the expenditure budget as a whole was under budget. No remedial action is anticipated.

NOTE 11 FUND TRANSFERS

The fund transfers on the statement of revenues, expenditures, and changes in fund balances arise because the General fund pays the RLF fund operating expenses and the RLF fund reimburses the General fund for these expenditures. The following were the fund transfers that occurred during the year ended December 31, 2019.

Fund	Transfers In	Transfers Out
General	\$ 8,864	\$ -
EDA RLF	-	5,746
RD RLF	-	3,118
	\$ 8,864	\$ 8,864

NOTE 12 CONCENTRATION OF RISK

In 2019, the Council received about 33 percent of its general fund revenues from federal grants; 24 percent from contract and project administration, and 43 percent from county contributions. Changes in these revenues would significantly impact the Council.

NOTE 13 SUBSEQUENT EVENTS

The Council evaluated its December 31, 2019 financial statements for subsequent events through July 31, 2020. As a result of the spread of the COVID19 coronavirus, the Council has evaluated the economic impact of lost revenue as well as planned for a revised 2020 Budget. The Council entered into contract with the University of North Dakota to provide COVID19 disaster assistance advising services under the ND Small Business Development Centers for approximately 20 hours per week at \$50.00 per hour beginning April 1, 2020 through at least September 30, 2020. The Council also expects to receive a \$400,000 EDA award and hire a staff person to aid in economic recovery.

***REQUIRED
SUPPLEMENTARY INFORMATION***

TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Federal Sources:				
EDA Planning Grant	\$ 70,000	\$ 70,000	\$ 70,000	\$ -
CDBG Administration	7,000	7,000	7,612	612
State & Local Sources:				
CDBG Project Administration	28,000	28,000	14,424	(13,576)
County Dues	100,000	100,000	100,000	-
Contract Services	39,000	39,000	39,040	40
Other Contracts	-	-	1,450	1,450
CDLF Loan Servicing Fees	1,500	1,500	35	(1,465)
Miscellaneous	200	200	-	(200)
Interest Income - Bank	200	200	62	(138)
Total Revenues	245,900	245,900	232,623	(13,277)
Expenditures:				
Current:				
Salaries	141,174	141,174	142,873	(1,699)
Benefits	66,212	66,212	63,083	3,129
Dues & Memberships	1,500	1,500	1,932	(432)
Professional Fees	7,750	7,750	6,962	788
Advertising	700	700	310	390
Equipment & Lease	1,000	1,000	379	621
Office Supplies & Printing	2,800	2,800	2,095	705
Postage	800	800	717	83
Contract Services	10,500	10,500	8,580	1,920
Rent	1,200	1,200	1,200	-
Telephone & Fax	3,000	3,000	3,134	(134)
Travel	7,000	7,000	4,045	2,955
Insurance	800	800	826	(26)
Miscellaneous	2,500	2,500	1,009	1,491
Total Expenditures	246,936	246,936	237,145	9,791
Excess of Revenues Over (Under) Expenditures	(1,036)	(1,036)	(4,522)	(3,486)
Other Financing Sources and (Uses)				
Fund Transfers	4,800	4,800	8,864	4,064
Total Other Financing Sources and (Uses)	4,800	4,800	8,864	4,064
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	3,764	3,764	4,342	578
Fund Balance - December 31, 2018	37,085	37,085	37,085	-
Fund Balance - December 31, 2019	\$ 40,849	\$ 40,849	\$ 41,427	\$ 578

TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL
Notes to Required Supplementary Information
December 31, 2019

NOTE 1 BUDGETS

The Council adopts a budget on the accrual basis of accounting using the current financial resources measurement focus, consistent with accounting principles generally accepted in the United States of America for the general fund. No budgets are prepared for the revolving funds as none are required by law. All annual budget amounts expire at year-end.

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting – under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation – is not utilized in the Council funds.

INDEPENDENT ACCOUNTANT'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

Board of Directors
Tri-County Regional Development Council
Williston, 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 the Tri-County Regional Development Council 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 and have issued our report thereon dated July 31, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tri-County Regional Development 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 the Tri-County Regional Development Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses. We consider the deficiencies in internal control described in the accompanying schedule of findings as items 2019-001 and 2019-002 to be material weaknesses.

INDEPENDENT ACCOUNTANT'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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tri-County Regional Development 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*.

Tri-County Regional Development Council's Response to Findings

Tri-County Regional Development Council's responses to the findings identified in our audit are described in the accompanying schedule of findings. Tri-County Regional Development Council's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council'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 Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Haga Kommer, Ltd.

Haga Kommer, Ltd.
Mandan, North Dakota
July 31, 2020

TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL
SCHEDULE OF FINDINGS
For the Year Ended December 31, 2019

Finding 2019-001: Segregation of Duties

Condition – The entity has lack of segregation of duties in certain areas due to a limited staff.

Criteria – A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles or has access to a transaction from its inception to its completion.

Cause – There are limited individuals to perform tasks due to the small size of the entity and it is not economically feasible to further segregate duties.

Effect – Inadequate segregation of duties could adversely affect the entity’s ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely manner by employees in the normal course of performing their assigned functions.

Recommendation – The most effective controls lie in the board’s knowledge of matters relating to the organization’s operations. Board members should periodically review documentation supporting individual transactions.

Management’s Response – The Council is aware of the condition and will add controls where feasible.

Finding 2019-002: Preparation of Financial Statements

Condition – The financial statements and related notes are prepared by the organization’s auditors.

Criteria – Management is responsible for the preparation and fair presentation of the financial statements in conformity with generally accepted accounting principles.

Cause – Limited time and resources of the Council to prepare the financial statements in the format required by generally accepted accounting principles including compliance with GASB 34.

Effect – An increased risk of material misstatement in the Council’s financial statements.

Recommendation – The board should review the audited financial statements for accuracy and accept responsibility for the preparation and fair presentation of the GAAP financial statements even if the auditor assisted in drafting the financial statements and notes.

Management’s Response – The Council is aware that someone needs to review the audit report each year to make sure the financial statements and note disclosures are a fair presentation for the Council.