LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
MANDAN, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

TABLE OF CONTENTS

BradyMartz

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lewis and Clark Regional Development Council
Mandan, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Lewis and Clark Regional Development Council (a nonprofit organization) as of and for the year ended September 30, 2021, 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 Lewis and Clark Regional Development Council as of September 30, 2021, 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 budgetary comparison schedule for the general fund 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 or preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lewis and Clark Regional Development 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 December 1, 2021, on our consideration of the Lewis and Clark 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 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 Lewis and Clark Regional Development Council's internal control over financial reporting and compliance.

Brady Martz

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

December 1, 2021

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

ASSETS	
Cash and cash equivalents	$ 4,282,164
Receivables	
Accounts receivable	654
Loans, net of allowance for loan loss	8,542,683
Interest receivable	141,389
Due from related parties	4,620,747
Capital assets, net of depreciation	849
Total assets	17,588,486
LIABILITIES	
Accounts payable	10,451
Accrued liabilities	48,812
Unearned revenue	65,328
Interest payable	1,475
Due to other governments	11,519,309
Accrued leave	42,720
Notes payable	1,341,988
Total liabilities	13,030,083
NET POSITION	
Net investment in capital assets	849
Restricted for lending activities	3,038,738
Unrestricted	1,518,816
Total net position	$ 4,558,403

SEE NOTES TO THE FINANCIAL STATEMENTS

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Program Activities	Expenses	Program Revenues: Fees, Fines & Charges for Services	Program Revenues: Operating Grants & Contributions	Net Revenue (Expense) and Changes in Net Position
Governmental activities				
Economic development	$ 875,260	$ 314,659	$ 603,100	$ 42,499
Interest	14,022	-	-	(14,022)
Total governmental activities	$ 889,282	$ 314,659	$ 603,100	28,477
General revenues				
County member contributions				142,967
Interest income on cash deposits				56,112
Total general revenues				199,079
Change in net position				227,556
Net position, September 30, 2020				4,330,847
Net position, September 30, 2021				$ 4,558,403

SEE NOTES TO THE FINANCIAL STATEMENTS

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	Major Funds		
ASSETS	General	Revolving Loan Fund	Total Governmental Funds
Cash and cash equivalents	$ 377,966	$ 3,904,198	$ 4,282,164
Recivables			
Accounts receivable	654	-	654
Loans, net of allowance for loan loss of $1,283,093	-	8,542,683	8,542,683
Interest receivable	-	141,389	141,389
Due from related parties	4,950,056	-	4,950,056
Due from other funds	12,893	20	12,913
Total assets	$ 5,341,569	$ 12,588,290	$ 17,929,859
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 10,373	$ 78	$ 10,451
Accrued liabilities	48,812	-	48,812
Unearned revenue	65,328	-	65,328
Due to other funds	20	12,893	12,913
Due to other governments	3,655,500	8,193,118	11,848,618
Total liabilities	3,780,033	8,206,089	11,986,122
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	1,200,000	-	1,200,000
FUND BALANCES			
Restricted			
Lending activities	-	4,382,201	4,382,201
Unassigned	361,536	-	361,536
Total fund balances	361,536	4,382,201	4,743,737
Total liabilities, deferred inflows of resources and fund balances	$ 5,341,569	$ 12,588,290	$ 17,929,859

SEE NOTES TO THE FINANCIAL STATEMENTS

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

Total Governmental Funds Balance		$ 4,743,737
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	9,790	
Less accumulated depreciation	(8,941)	
Net capital assets		849
Certain receivables from services provided that are not available to pay for current period expenditures are not recognized in the funds.		1,200,000
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	(42,720)	
Interest payable	(1,475)	
Note payable - Community Works ND	(15,000)	
Note payable - ND Development Fund	(37,500)	
Note payable - Rural Development	(1,289,488)	
Long-term liabilities		(1,386,183)
Net Position of Governmental Activities		$ 4,558,403

SEE NOTES TO THE FINANCIAL STATEMENTS

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Major Funds			
	General	Community Development and Planning Fund	Revolving Loan Fund	Total Governmental Funds
REVENUES				
Grant Income	$ -	$ 225,721	$ 377,379	$ 603,100
Interest income	4,473	-	229,086	233,559
Services rendered and other	101,278	-	33,523	134,801
County member contributions	110,717	32,250	-	142,967
Other income	2,411	-	-	2,411
Total revenues	218,879	257,971	639,988	1,116,838
EXPENDITURES				
Economic development	338,956	241,783	299,677	880,416
Debt service				
Interest	-	-	14,158	14,158
Principal	-	-	98,247	98,247
Total expenditures	338,956	241,783	412,082	992,821
EXCESS REVENUE OVER (UNDER) EXPENDITURES	(120,077)	16,188	227,906	124,017
OTHER FINANCING SOURCES (USES)				
Transfer in	150,420	-	-	150,420
Transfer out	-	(16,188)	(134,232)	(150,420)
Total other financing sources (uses)	150,420	(16,188)	(134,232)	-
CHANGE IN FUND BALANCE	30,343	-	93,674	124,017
FUND BALANCE, BEGINNING OF YEAR	331,193	-	4,288,527	4,619,720
FUND BALANCE, END OF YEAR	$ 361,536	$ -	$ 4,382,201	$ 4,743,737

LEWIS AND CLARK 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 SEPTEMBER 30, 2021

Net Change in Fund Balances - Total Governmental Funds	$ 124,017
The changes in net position reported for governmental activities in the statement of activities is different because:	
Government 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.	
Depreciation Expense	(307)
Governmental funds report principal payments on debt service as expenditures; whereas, the statement of activities does not consider this as an expense.	98,247
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.	
Net decrease in compensated absences	5,464
Net decrease in interest payable	135
Total Net Position of Governmental Activities	$ 227,556

SEE NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The purpose of the Lewis and Clark Regional Development Council (the Council) is to enhance the ability of the individual units of government to resolve common issues and problems through the establishment, preparation, and maintenance of long-term, continuing, comprehensive planning processes for the physical, social, and economic development of the central region of North Dakota. The Council also provides low-cost loans to individual businesses to aid in the economic expansion in their community.

The Council is a non-profit organization under 501(c)(4) of the Internal Revenue Code and is governed by the provision of 54-40.1 of the North Dakota Century Code, which qualifies it as a political sub-division of the State of North Dakota.

The financial statements of the Council have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Council, as described in Note 1, follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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.

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.

Community Development and Planning Fund – The community development and planning fund is a special revenue fund and is used to account for the proceeds of special revenue sources that are legally restricted expenditures for a specific purpose. This fund is set up to account for operating grants received by the Council for community development and planning. Revenue sources consist of grants and county member contributions.

Revolving Loan Fund – The revolving loan fund is a special revenue fund used to account for lending activity including the receipt of principal and interest for various loan programs, as well as account for resources held by the Council for the Consortium of Cities' State Small Business Credit Initiative. Loans are made to regional businesses to provide for economic growth. Revenue sources consist of interest income on deposits, interest income on loans, and other related lending fees.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Council gives (or receives) value without directly receiving (or giving) equal value in exchange, includes grants, entitlements, and donations. Revenue from grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met.

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

Budgets

The budget is prepared for the total entity (all funds combined) on the accrual basis of accounting. All annual budget amounts expire at year-end.

Cash and Cash Equivalents

Cash includes amounts in demand deposits and money market accounts. Cash equivalents include deposits in highly liquid investments with an original maturity of three months or less. 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.

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

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.

Capital Assets

Capital assets include furniture and equipment. Assets are reported in the government-wide financial statements. Furniture and equipment are recorded at cost with acquisitions of furniture and equipment having a cost of $5,000 or more are capitalized. Replacements, maintenance, and repairs which do not improve or extend the lives of respective assets are charged to expenditures. Depreciation is computed on the useful life of the furniture and equipment and is depreciated on a straight-line method with the following estimated useful lives:

Furniture and Equipment	10-15 years

Loans Receivable and Allowance for Loan Losses

Loans 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 credit risk and the financial stability of its clients. An allowance of $1,283,093 for bad debts has been established to account for potential uncollectible accounts for the Revolving Loan Funds. Management believes the estimated allowance for the RLF is adequate. Notes considered uncollectible are liquidated and any amount remaining is charged-off.

A loan is considered impaired when, based on current information and events, it is probable that the Council will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of delay, the reasons for the delay, the borrower's prior payment record, and amount of the shortfall in relation to the principal and interest owed. As of September 30, 2021, loans with a balance of $728,813 were considered impaired.

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.

Accrued Leave

Vacation is earned at a rate of 8 to 20 hours per month depending upon length of service. Employees can accumulate up to 240 hours of annual leave. Sick leave is granted to all employees at 8 hours per month. If the sick pay is not used, upon termination, the employee will be paid 10% to 25% of the accrued balance based on a sliding scale of years of service.

Unearned Revenue

Unearned revenue is derived from prepaid county dues received and grant revenue that has been received in advance but not fully expended as of September 30, 2021.

Deferred Inflows of Resources

Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period. Deferred inflows of resources in the general fund consists of unavailable revenue from providing administrative services to Lewis and Clark Certified Development Company, a related party (see Note 12).

Allocation of Costs

A method of cost allocation is utilized whereby employee time records are maintained daily and specifically allocate time to various program functions.

Indirect costs are allocated on the basis of a percentage of direct salary and benefit costs. Costs that can be identified with a specific program are charged directly to the program.

Advertising Costs

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

Concentration of Credit Risk

In the case of cash and investments, this is the risk that, in the event of the failure of a depository financial institution, the Council will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Council does not have a formal policy that limits the amount that may be deposited with one institution.

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.

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, unless the Council's Board of Directors has provided otherwise in its commitment or assignment actions.

NOTE 2 DEPOSITS

At September 30, 2021, the Council held deposits at American Bank Center. The deposits are covered by Federal Depository Insurance up to $250,000. The Council was also collateralized with pledged securities held at American Bank Center. As of September 30, 2021, approximately $4,052,000 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.

NOTE 3 TRANSFERS IN/OUT

Transfers	General Fund	Community Development and Planning Fund	Revolving Loan Fund
Transfer in	$ 150,420	$ -	$ -
Transfer out	-	(16,188)	(134,232)
Total transfers	$ 150,420	$ (16,188)	$ (134,232)

Transfers into the general fund from the revolving loan fund were made to move revenues earned for the administration of the State Small Business Credit Initiative (SSBCI) program. Transfers out of the community development and planning fund to the general fund were made to transfer excess county member contributions in excess of expenses.

NOTE 4 LOANS RECEIVABLE

Lewis and Clark Regional Development Council provides low-cost loans to individual businesses to aid in the economic expansion in their community.

The Council had the following loans receivable under the special revenue fund as of September 30, 2021:

Intermediary Relending Program Loans bearing interest from 4.00% to 5.75%, with maturity dates ranging from September 2024 to April 2031, secured with personal guarantees, inventory, property, and equipment.	$ 104,655
Intermediary Relending Program II Loans bearing interest from 5.25% to 5.50%, with maturity dates ranging from May 2025 to June 2034, secured with personal guarantees, inventory, property, and equipment.	145,428
Intermediary Relending Program - Mandan Loans bearing interest from 2.00% to 6.50%, with maturity dates ranging from May 2022 to November 2027, secured with personal guarantees, inventory, property, and equipment.	427,410
Intermediary Relending Program II - Mandan Loans bearing interest from 2.00% to 6.00%, with maturity dates ranging from June 2022 to April 2030, secured with personal guarantees, inventory, property, and equipment.	759,040
Revolving Loan Fund Loans bearing interest from 2.00% to 7.00%, with maturity dates ranging from November 2021 to May 2036, secured with personal guarantees, inventory, property, and equipment.	287,858
Recap Revolving Loan Fund Loans bearing interest from 2.00% to 5.50%, with maturity dates ranging from 2020 through 2025, secured with personal guarantees, inventory, property, and equipment.	85,958
CARES Revolving Loan Fund Loans bearing interest from 4.00% to 4.75%, with maturity dates ranging from May 2022 to May 2028, secured with personal guarantees, inventory, property, and equipment.	301,088
State Small Business Credit Initiative Loans bearing interest from 2.00% to 7.00%, with maturity dates ranging from February 2022 to July 2039, secured with personal guarantees, inventory, property and equipment.	7,714,339
Total notes receivable	9,825,776
Less allowance for loan loss	(1,283,093)
Total loans receivable, net of allowance	$ 8,542,683

The Council has established an allowance for bad debts of $1,283,093 for the Revolving Loan Funds as of September 30, 2021.

The following table presents information date by class of financing receivable regarding their age and interest accrual status at September 30, 2021:

	Past Due and Still Accruing				
	30 - 59 Days	60 - 89 Days	> 90 Days	Total Past Due	Total Financing Receivables on Nonaccrual Status
Loans receivable	$ 31,562	$ -	$ -	$ 31,562	$ 728,813

NOTE 5 DUE FROM / TO OTHER FUNDS

Due from/to other funds consisted of the following at September 30, 2021:

Fund	Due from Other Funds	Due to Other Funds
General	$ 12,893	$ 20
Revolving Loan Fund	20	12,893
Total all funds	$ 12,913	$ 12,913

Interfund transactions constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund. These balances are a result of the time lag between the dates that reimbursement expenditures occur and payments between funds are made.

NOTE 6 DUE TO OTHER GOVERNMENTS

As of September 30, 2021, the Council had a liability of $8,193,118 payable to SSBCI Consortium. Per the agreement, if/when the Consortium ends, the assets would be distributed to all members, with 10% kept by Lewis and Clark Regional Development Council. Therefore, the liability is calculated at 90% of total assets of the SSBCI. The Council also had a liability of $3,326,190 payable to the North Dakota Housing Finance Agency (NDHFA). Lewis and Clark Regional Development Council acts as a passthrough for this loan between NDHFA and CWND (a related party). The loan is non-interest bearing with payments due June 1 of each year based upon net cash flows of the project. Upon maturity, the remaining outstanding principal balance will be forgiven.

NOTE 7 NOTES PAYABLE

Notes payable are comprised of the following:

1.00% note payable to USDA Rural Development, due in annual amortized installments through June 2025, at which time the balance is due, secured by notes receivable.	$ 81,790
1.00% note payable to USDA Rural Development, due in annual amortized installments through June 2035, at which time the balance is due, secured by notes receivable.	248,335
1.00% note payable to USDA Rural Development, due in annual amortized installments through September 2037, at which time the balance is due, secured by notes receivable.	453,731
1.00% note payable to USDA Rural Development, due in annual amortized installments through September 2039, at which time the balance is due, secured by notes receivable.	505,632
1.00% unsecured note payable to North Dakota Development Fund, due in annual installments through April 2027, at which time the balance is due.	37,500
0.00% unsecured note payable to CommunityWorks North Dakota, with $10,000 due in full in April 2035 and $5,000 due in full in December 2037.	15,000
	$ 1,341,988

Notes payable are expected to mature as follows:

Year ending September 30	Principal	Interest	Total
2022	$ 89,128	$ 13,271	$ 102,399
2023	90,019	12,380	102,399
2024	90,758	10,572	101,330
2025	90,918	11,481	102,399
2026	71,511	9,663	81,174
2027-2031	405,923	37,447	443,370
2032-2036	383,037	16,778	399,815
2037-2039	120,694	2,116	122,810
	$ 1,341,988	$ 113,708	$ 1,455,696

NOTE 8 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended September 30, 2021:

	Balance 10/1/2020	Additions	Deletions	Balance 9/30/2021
Furniture and equipment	$ 9,790	$ -	$ -	$ 9,790
Accumulated depreciation	(8,634)	(307)	-	(8,941)
Capital assets, net	$ 1,156	$ (307)	$ -	$ 849

Depreciation expense of $307 was charged to the economic development program on the statement of activities during 2021.

NOTE 9 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 10 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. The Council pays an annual premium to Cincinnati Insurance Companies for its general insurance coverage. The coverage by Cincinnati Insurance Companies is limited to losses of $2,000,000 per occurrence. The Council carries commercial insurance for all other risks of loss of $1,000,000 per occurrence.

The Council also participates in the State Bonding Fund. The State Bonding Fund currently provides the Council with blanket fidelity bond coverage in the amount of $1,586,556 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The Council carries commercial insurance for all other risks of loss, including workers' compensation, and employee health and accident insurance. No claims from these risks have exceeded insurance coverage in any of the past three years. Loans are concentrated in the central region of North Dakota, but are issued to a wide variety of types of business in varying dollar amounts.

NOTE 11 LEASES

The Council leases its office space from CommunityWorks North Dakota, a related party, under an operating lease ending May 31, 2029. The lease provides for monthly rent of $900 plus thirty-three percent of estimated operating expenses, which is $1,000 per month in 2021, and will be negotiated annually during the life of the lease. Total rent expense for 2021 was $22,800. Under this operating lease, future commitments are $22,800 each year 2022 through 2026, and $60,800 thereafter.

NOTE 12 RETIREMENT PLAN

The Council has a Simplified Employee Pension Plan through Mutual of America. It is a fully-vested, defined contribution plan with the Council contributing the same percentage of compensation for every employee, limited annually to the small of $41,000 or 10% of compensation. Employees over 21 years old who have been employed in at least one of the immediately preceding five years are eligible to participate in the plan. The Council is only responsible for current contributions. The amount of pension expense for the year ended September 30, 2021 totaled $28,507.

NOTE 13 RELATED PARTY

The Council is related to CommunityWorks North Dakota through common management and the organizations are co-located. Each organization has its own board of directors with one member serving on each board. The Council has entered into a working agreement with CommunityWorks North Dakota.

Shared expenses with CommunityWorks North Dakota consist of telephone, postage, supplies, equipment, employees, and the executive director. Each entity is responsible for paying its own share of these expenses, except for payroll costs, which are reimbursed. Payments made to CommunityWorks North Dakota for reimbursed expenses during 2021 were $100,958. The Council received payments of $11,206 from CommunityWorks North Dakota for shared staff health benefits in 2021. As of September 30, 2021, the Council had accounts payable due to CommunityWorks North Dakota of $7,504. The general fund had a $90,401 loan receivable made to CommunityWorks North Dakota. The loan has a fixed rate of 2%, matures on June 1, 2029, and is secured by an assignment of leases. Principal and interest payments on the loan totaled $10,763 and $1,957 during fiscal year 2021, respectively. Also, as of September 30, 2021, the Council had accounts receivable due from CommunityWorks North Dakota of $3,655,500. The receivable is non-interest bearing, matures on December 31, 2050, and is secured by a combination mortgage, assignment of rents, security agreement, and fixture financing statement. Interest and principal payments begin on June 1, 2022 and are based off of net cash flows.

As of September 30, 2021, the general fund has accounts receivable of $4,095 due from Lewis & Clark Certified Development Company, a separate non-profit organization related through common management, for administrative expenses. The general fund also has a $1,200,000 note receivable from the Lewis & Clark Certified Development Company for unpaid administrative expenses. The receivable is non-interest bearing, matures on October 1, 2033, and will be repaid when cash flows are deemed available.

NOTE 14 INDIRECT EXPENSES

Indirect (common) costs are costs incurred for a common, or joint, purpose which benefit more than one grant or program. The Council allocates indirect costs on the basis of a ratio of program direct salary and benefit costs to total salary and benefit costs on a monthly basis pursuant to Office of Management and Budget and Uniform Guidance. A detailed summary of the indirect costs for the year ended September 30, 2021 are as follows:

Salaries	$ 72,485
Fringe Benefits	26,722
Rent	24,700
Professional	23,038
Equipment	9,341
Marketing	9,235
Insurance	5,804
Travel	1,379
Supplies	1,176
Printing and publishing	1,146
Postage	855
Subscriptions	457
Other	36
	$ 176,374

NOTE 15 FUTURE GASB PRONOUNCEMENTS

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

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.

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.

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 16 RISKS AND UNCERTAINTIES

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

NOTE 17 SUBSEQUENT EVENTS

No other significant events occurred subsequent to the Council's year end. The Council has evaluated subsequent events through December 1, 2021, the date which these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budget	Actual	Variance with Final Budget Positive (Negative)	
REVENUES				
Grant Income	$ 329,000	$ 603,100	$ 274,100	
Interest Income	557,800	233,559	(324,241)	
Services rendered and other	25,350	134,801	109,451	
Dues income	159,517	142,967	(16,550)	
Other income	-	2,411	2,411	
Total revenues	1,071,667	1,116,838	45,171	
EXPENDITURES				
Economic Development				
Salaries	369,466	381,870	12,404	(1)
Fringe benefits	139,174	107,445	(31,729)	
Travel	19,020	4,673	(14,347)	
Printing and publications	3,100	597	(2,503)	
Supplies	3,650	1,639	(2,011)	
Seminars and dues	20,300	19,141	(1,159)	
Equipment	15,916	9,564	(6,352)	
Marketing	21,335	13,708	(7,627)	
Processing, closing fees	1,050	1,331	281	(2)
Telephone & postage	420	44	(376)	
Indirect costs	232,428	176,374	(56,054)	
Bad debt expense	-	145,511	145,511	(3)
Depreciation	600	-	(600)	
Interest	15,600	14,158	(1,442)	
Professional fees	22,600	18,423	(4,177)	
Principal debt service	-	98,247	98,247	(4)
Other	11,877	96	(11,781)	
Total expenditures	876,536	992,821	116,285	
EXCESS REVENUE OVER (UNDER) EXPENDITURES	$ 195,131	$ 124,017	$ (71,114)	

SEE NOTE TO THE BUDGETARY COMPARISON SCHEDULE

NOTE 1 BUDGET

The Council budget is prepared for the total entity (all funds combined) on the accrual basis of accounting. All annual budget amounts expire at year-end.

Actual revenues were $45,171 more than budgeted and actual expenditures were $116,285 more than budgeted.

(1) The Council hired staff at a higher rate than budgeted for.

(2) The Council had provided more loans than anticipated, which led to additional costs for closing costs, credit reports, etc.

(3) The Council did not budget for bad debt expense incurred related to the loans receivable due to its annual variability and overall difficultly to budget.

(4) The Council did not budget for principal debt service expense incurred due to preparing the budget on the government-wide set of financial statements where debt payments reduce a liability instead of incurring an expense.

BradyMartz

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
Lewis and Clark Regional Development Council
Mandan, 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 Lewis and Clark Regional Development Council as of and for the year ended September 30, 2021 and the related notes to the financial statements, which collectively comprise Lewis and Clark Regional Development Council's basic financial statements and have issued our report thereon dated December 1, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lewis and Clark 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 Lewis and Clark Regional Development Council's internal control. Accordingly, we do not express an opinion on the effectiveness of Lewis and Clark Regional Development 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lewis and Clark 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*.

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

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

December 1, 2021

BradyMartz

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
Lewis and Clark Regional Development Council
Mandan, North Dakota

Report on Compliance for Each Major Federal Program

We have audited Lewis and Clark Regional Development 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 Lewis and Clark Regional Development Council's major federal programs for the year ended September 30, 2021. Lewis and Clark Regional Development 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 Lewis and Clark Regional Development 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 Lewis and Clark Regional Development 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 Lewis and Clark Regional Development Council's compliance.

Opinion on Each Major Federal Program

In our opinion, the Lewis and Clark Regional Development 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 September 30, 2021.

Report on Internal Control Over Compliance

Management of Lewis and Clark Regional Development 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 Lewis and Clark Regional Development 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 Lewis and Clark Regional Development 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

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

December 1, 2021

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Federal Grantor/Program or Cluster Title	*Identifying Pass-Through Grant Number*	*Federal Assistance Listing Number*	*Federal Expenditures*
U.S. DEPARTMENT OF COMMERCE			
Economic Development Support for Planning Organizations		11.302	$ 70,000
Economic Development Cluster:			
Economic Adjustment Assistance - Revolving Loan Fund		11.307	795,934
Economic Adjustment Assistance - Revolving Loan Fund - CARES		11.307	388,408
Economic Adjustment Assistance - CARES Grant		11.307	155,593
Total Economic Development Cluster			1,339,935
Total U.S. Department of Commerce			1,409,935
U.S. DEPARTMENT OF AGRICULTURE			
Intermediary Relending Program		10.767	1,377,734
Total U.S. Department of Agriculture			1,377,734
Total Expenditures of Federal Awards			$ 2,787,669

SEE NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the schedule of expenditures of federal awards (the "Schedule") are reported on the accrual 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 Lewis and Clark Regional Development Council under programs of the federal government for the year ended September 30, 2021. 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 Lewis and Clark Regional Development 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 Lewis and Clark Regional Development Council.

NOTE 4 INTERMEDIARY RELENDING PROGRAM

The Council manages the Intermediary Relending Program (USDA). 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 Assistance Listing Number	Beginning Balance	Ending Balance
Intermediary Relending Program	10.767	$ 1,377,734	$ 1,289,488

NOTE 5 RELENDING LOAN FUND (EDA)

The Council manages the Revolving Loan Fund (EDA). The following is the calculation of the federal expenditures for the Revolving Loan Fund:

RLF #1	
Loans Receivable 6/15/21 when defederalized	$ 389,334
Loans Written Off in Current Year	-
Cash Account Balances 6/15/21 when defederalized	271,985
Administrative Expenses (excludes bad debt)	3,793
Total expenditures	665,112
Federal percentage	74.29%
Total federal expenditures	494,103
RLF #2	
Loans Receivable 6/15/21 when defederalized	124,857
Loans Written Off in Current Year	-
Cash Account Balances 6/15/21 when defederalized	280,201
Administrative Expenses (excludes bad debt)	3,420
Total expenditures	408,478
Federal percentage	73.89%
Total federal expenditures	301,831
CARES RLF	
Loans Receivable 6/15/21 when defederalized	301,088
Loans Written Off in Current Year	-
Cash Account Balances 6/15/21 when defederalized	-
Administrative Expenses (excludes bad debt)	87,320
Total expenditures	388,408
Federal percentage	100.00%
Total federal expenditures	388,408
Total RLF	$ 1,184,342

NOTE 6 FEDERAL PORTION OF GRANT INCOME 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 grant income as stated on the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds for proper presentation in the Schedule of Expenditures of Federal Awards are as follows:

EDA Development Planning Grant	$ 70,000
EDA Cares Planning Grant	155,593
Federal portion of grant income	225,593
Non-federal portion of grant income	127
Total grant income	$ 225,720

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 as stated in SEFA Note 6	$ 225,593
Balance of IRP loan as stated in SEFA Note 4	1,377,734
Balance of RLF as stated in SEFA Note 5	1,184,342
Total federal awards as stated on the SEFA schedule	$ 2,787,669

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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?	____ yes __x__ 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:

Assistance Listing 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

Section II – Financial Statement Findings

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

Section III – Federal Award Findings and Questioned Costs

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

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

2020-001 Significant Deficiency: Internal Control over Financial Reporting – Audit Adjustments

<u>Criteria</u>
An organization's internal control structure should provide for the complete and accurate recording of all necessary adjustments in accordance with generally accepted accounting principles.

<u>Condition</u>
During the prior engagement, the auditors discovered errors based on our audit procedures and proposed certain adjustments in accordance with generally accepted accounting principles.

<u>Cause</u>
Existing internal controls did not prevent or detect these misstatements which were identified and corrected during their audit.

<u>Effect</u>
The identification of proposed audit adjustments increases the risk that unidentified and uncorrected misstatements in the financial statements exist and interim financial information being utilized by management and the board of directors may not be materially correct.

<u>Recommendation</u>
The prior auditors recommended an increased level of oversight over loan interest income accruals and other year-end adjustments to ensure the proper adjustment of all account balances.

<u>Corrective Action Taken</u>
Corrective action was taken. This is not a repeat finding.

2020-002 Significant Deficiency: Internal Control over Financial Reporting – Non-accrual Loans

Criteria
An organization's internal control structure and loan administration function should provide for the proper identification of loans that are 90 days or more past due and should be placed in non-accrual status in accordance with generally accepted accounting principals and industry practice.

Condition
During the prior auditors engagement, they identified certain loans that were in excess of 90 days or more past due with no recent of established repayment history that were accruing interest and, based on industry standards, should be placed in non-accrual status. The prior auditors proposed an audit adjustment for these loans which was corrected by management.

Cause
Existing internal controls in the loan administration function did not adequately identify loans that should be placed in a non-accrual status so that current period income is not overstated.

Effect
Not properly identifying past due loans and placing them in a non-accrual status has an effect on overstating income which potentially could be material to the financial statements.

Recommendation
The prior auditors recommend implementing a formal policy to which all loans that are not well-collateralized and in the process of collection that become 90 days or more past due to be placed in a non-accrual status. They also recommend a monthly review of the loans past due report be performed to identify any loans 90 days or more past due that should be placed on non-accrual status.

Corrective Action Taken
Corrective action was taken. This is not a repeat finding.