

AUDIT REPORT

ROOSEVELT CUSTER REGIONAL COUNCIL
Dickinson, North Dakota

For the Year Ended June 30, 2021

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

ROOSEVELT-CUSTER REGIONAL COUNCIL
Dickinson, North Dakota

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For the Year Ended June 30, 2021

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ROOSEVELT-CUSTER REGIONAL COUNCIL
Dickinson, North Dakota

Executive Committee Members

Dean Franchuk	Chairman
Troy Mosbrucker	Vice Chairman
Mike Kasian	Secretary
Josh Buchmann	Treasurer
Trisha Kelly	Administrator

Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA
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INDEPENDENT AUDITOR'S REPORT

Governing Board
Roosevelt-Custer Regional Council
Dickinson, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Roosevelt-Custer Regional Council, Dickinson, North Dakota, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the regional council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 regional council'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 regional council'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, each major fund and the aggregate remaining fund information of the Roosevelt-Custer Regional Council, Dickinson, North Dakota, as of June 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 budgeting comparison information on pages 18 through 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the regional council's basic financial statements. The accompanying 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 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 February 25, 2022 on our consideration of the regional council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the regional council's internal control over financial reporting and compliance.


Rath and Mehrer, P.C.

Bismarck, North Dakota

February 25, 2022

ROOSEVELT-CUSTER REGIONAL COUNCIL
Dickinson, North Dakota

Statement of Net Position
June 30, 2021

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash	1,045,703.00
Work in Progress	17,569.79
Notes Receivable	462,580.58
Other Assets	<u>175,330.11</u>
Total Assets	<u>1,701,183.48</u>
<u>LIABILITIES:</u>	
Accounts Payable	5,282.80
Interest Payable	1,989.46
Long-Term Liabilities:	
Due Within One Year:	
Loans Payable	43,072.69
Due After One Year:	
Loans Payable	<u>174,010.49</u>
Total Liabilities	<u>224,355.44</u>
<u>NET POSITION:</u>	
Restricted for:	
Debt Service	82,945.50
Uncollectible Loans	11,782.00
Revolving Loan Funds	1,251,067.29
Unrestricted	<u>131,033.25</u>
Total Net Position	<u>1,476,828.04</u>

The accompanying notes are an integral part of these financial statements.

ROOSEVELT-CUSTER REGIONAL COUNCIL
Dickinson, North Dakota

Statement of Activities
For the Year Ended June 30, 2021

		Program Revenues		Net (Expense)
		Charges for	Operating Grants	Revenue and
	Expenses	Services	and Contributions	Changes in
				Net Position
<u>Governmental Activities:</u>				Governmental
				Activities
General Administration	93,280.43	94,745.90		1,465.47
Special Projects Administration	3,767.84		3,767.84	-
Loan Programs Administration	5,832.03	5,832.03		-
Interest on Long-Term Debt	2,206.38			(2,206.38)
Total Governmental Activities	105,086.68	100,577.93	3,767.84	(740.91)
<u>General Revenues:</u>				
Loan interest payments				17,047.27
Earnings on investments and other revenue				2,036.32
Total General Revenues				19,083.59
Change in Net Position				18,342.68
Net Position - July 1				1,458,485.36
Net Position - June 30				1,476,828.04

The accompanying notes are an integral part of these financial statements.

ROOSEVELT-CUSTER REGIONAL COUNCIL
Dickinson, North Dakota

Balance Sheet
Governmental Funds
June 30, 2021

	Major Funds					Total Governmental Funds
	General	IRP #1	IRP #2	RLF	DCS	
<u>ASSETS:</u>						
Cash	118,746.26	196,369.76	170,192.81	560,394.17		1,045,703.00
Work in Progress	17,569.79					17,569.79
Notes Receivable		28,135.56	165,253.18	269,191.84		462,580.58
Other Assets				175,330.11		175,330.11
Total Assets	136,316.05	224,505.32	335,445.99	1,004,916.12	-	1,701,183.48
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities:</u>						
Accounts Payable	5,282.80				-	5,282.80
<u>Fund Balances:</u>						
Nonspendable:						
Notes Receivable		28,135.56	165,253.18	269,191.84		462,580.58
Restricted for:						
Debt Service		37,702.50	45,243.00			82,945.50
Uncollectible Loans		6,582.00	5,200.00			11,782.00
Revolving Loan Fund		152,085.26	119,749.81	735,724.28		1,007,559.35
Unassigned	131,033.25					131,033.25
Total Fund Balances	131,033.25	224,505.32	335,445.99	1,004,916.12	-	1,695,900.68
Total Liabilities and Fund Balances	136,316.05	224,505.32	335,445.99	1,004,916.12	-	1,701,183.48

The accompanying notes are an integral part of these financial statements.

ROOSEVELT-CUSTER REGIONAL COUNCIL
Dickinson, North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
For the Year Ended June 30, 2021

Total Fund Balances for Governmental Funds	1,695,900.68
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 are not reported in the governmental funds.	
Cost of Capital Assets	15,999.00
Less Accumulated Depreciation	<u>(15,999.00)</u>
Net Capital Assets	-
Long-term liabilities applicable to the regional council's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities -both current and long-term- are reported in the statement of net position. Balances at June 30, 2021 are:	
Loans Payable	(217,083.18)
Interest Payable	<u>(1,989.46)</u>
Total Long-Term Liabilities	<u>(219,072.64)</u>
Total Net Position of Governmental Activities	<u><u>1,476,828.04</u></u>

The accompanying notes are an integral part of these financial statements.

ROOSEVELT-CUSTER REGIONAL COUNCIL
Dickinson, North Dakota

Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds
For the Year Ended June 30, 2021

	Major Funds					Total Governmental Funds
	General	IRP #1	IRP #2	RLF	DCS	
<u>Revenues:</u>						
Contributions and Charges for Services	76,240.00					76,240.00
CDBG Administration	18,505.90					18,505.90
Loan Funds Administration	5,832.03					5,832.03
Federal Grants					3,767.84	3,767.84
Miscellaneous	438.00					438.00
Loan Interest Payments		1,464.60	7,413.52	8,169.15		17,047.27
Interest Income		303.67	234.42	1,060.23		1,598.32
Total Revenues	101,015.93	1,768.27	7,647.94	9,229.38	3,767.84	123,429.36
<u>Expenditures:</u>						
Current:						
Contracted Services	73,254.32				3,428.44	76,682.76
Vehicle Expense	253.36				12.21	265.57
Professional Fees	526.48					526.48
Audit	6,800.00					6,800.00
Office Supplies	188.64					188.64
Postage	286.70					286.70
Advertising and Marketing	124.00					124.00
Office Rent	7,626.96				297.04	7,924.00
Telephone	1,026.66				30.15	1,056.81
Public Notices	312.62					312.62
Meeting Expenses	200.00					200.00
Accounting	864.99					864.99
Travel	181.70					181.70
Insurance	1,634.00					1,634.00
Administration		1,617.34	1,631.91	2,582.78		5,832.03
Debt Service:						
Principal		19,572.22	23,073.48			42,645.70
Interest		992.78	1,604.52			2,597.30
Total Expenditures	93,280.43	22,182.34	26,309.91	2,582.78	3,767.84	148,123.30
Net Change in Fund Balances	7,735.50	(20,414.07)	(18,661.97)	6,646.60	-	(24,693.94)
Fund Balance - July 1	123,297.75	244,919.39	354,107.96	998,269.52	-	1,720,594.62
Fund Balance - June 30	131,033.25	224,505.32	335,445.99	1,004,916.12	-	1,695,900.68

The accompanying notes are an integral part of these financial statements.

ROOSEVELT-CUSTER REGIONAL COUNCIL
Dickinson, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2021

Net Change in Fund Balances - Total Governmental Funds (24,693.94)

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

The proceeds of debt issuances are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayment of debt exceeded debt proceeds.

Debt Proceeds	-	
Repayment of Debt	<u>42,645.70</u>	42,645.70

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 Interest Payable	<u>390.92</u>
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Change in Net Position of Governmental Activities	<u><u>18,342.68</u></u>
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The accompanying notes are an integral part of these financial statements.

ROOSEVELT-CUSTER REGIONAL COUNCIL
Dickinson, North Dakota

Notes to the Financial Statements
June 30, 2021

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Roosevelt-Custer Regional Council have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The Roosevelt-Custer Regional Council is a nonprofit planning and technical assistance provider for an eight-county region in Southwestern North Dakota. The council is incorporated under the laws of the State of North Dakota as a not-for-profit organization and has received tax exempt status under section 501 (C) (3) of the Internal Revenue Code.

The accompanying financial statements present the activities of the regional council. The regional council has considered all potential component units for which the regional council is financially accountable and other organizations for which the nature and significance of their relationships with regional council are such that exclusion would cause the regional council's financial statements to be misleading or incomplete. The Government Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the regional council to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the regional council.

Based on these criteria, there are no component units to be included within Roosevelt-Custer Regional Council as a 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, Roosevelt-Custer Regional Council. These statements include the financial activities of the overall government. 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 regional 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. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) 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.

Fund Financial Statements: The fund financial statements provide information about the regional 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.

The regional council reports the following major governmental funds:

General Fund. This is the regional council's primary operating fund. It accounts for all financial resources of the general government, except those required to be account for in another fund.

IRP. These funds are used to account for the Intermediary Relending Program through USDA-Rural Development. Funds are loaned to assist emerging and existing businesses obtain financing in order to create new jobs and new wealth in rural areas.

RLF. This fund is used to account for a grant from the Economic Development Administration. Funds are loaned to assist emerging and existing businesses in obtaining gap financing with the goal of creating new jobs and new wealth in the Roosevelt-Custer Regional Council area.

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

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 regional council considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be 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. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

D. Cash

Cash includes amounts in demand deposits and money market accounts.

E. Capital Assets

Capital assets include vehicles. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the regional council as assets with an initial individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Vehicles	5 years
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F. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

G. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the regional council is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash such as inventories or prepaid expenses) or (b) legally or contractually required to be maintained intact (i.e., endowment funds).

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the regional council or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments (i.e., funds restricted by state statute, unspent bond proceeds, grants earned but not spent, debt covenants or taxes raised for a specific purpose).

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the executive committee through the adoption of a resolution. The executive committee also may modify or rescind the commitment.

Assigned – Fund balances are reported as assigned when amounts are constrained by the regional council's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The regional council reports positive unassigned fund balance only in the general fund. Negative fund balances may be reported in all funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the regional council's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the regional council's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

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 (i.e., the amount that the regional council has not spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

H. Interfund Transactions

In the governmental fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers.

In the government-wide financial statements, interfund transactions have been eliminated.

I. 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 certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Note 2 DEPOSITS AND INVESTMENTS

In accordance with North Dakota Statutes, the regional council maintains deposits at the depository banks designated by the governing board. All depositories 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 or 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 any 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 another state of the United States or other securities approved by the banking board.

At June 30, 2021 the regional council's carrying amount of deposits was \$1,045,703 and the bank balance was \$1,048,163. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$798,163 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

- (1) 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.
- (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.
- (4) Obligations of the State.

Concentration of Credit Risk

The regional council does not have a limit on the amount the regional council may invest in any one issuer.

Note 3 ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts billed out to other entities but which were not collected as of June 30.

Note 4 WORK IN PROGRESS

Work in progress consists of services which have been performed by the regional council for other entities but have not been billed out as of June 30.

Note 5 NOTES RECEIVABLE

Notes receivable consists of amount loaned under the Intermediary Relending Program (IRP) and the Revolving Loan Fund (RLF) to eligible businesses in rural areas. The following amounts are outstanding at June 30, 2021:

Intermediary Relending Programs

IRP #1

Killdeer Mountain Manufacturing	<u>28,135.56</u>
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IRP #2

Enchanted Castle Upgrades	7,029.18
Dunn Fair Fair Association	<u>158,224.00</u>

Total IRP #2	<u>165,253.18</u>
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Revolving Loan Fund

Enchanted Highway	13,205.25
Jimmy Mack Customs	85,651.64
The Tumbler, LLC	95,774.39
Killdeer Mountain Manufacturing	<u>74,560.56</u>

Total Revolving Loan Fund	<u>269,191.84</u>
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Grand Total Notes Receivable	<u><u>462,580.58</u></u>
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Note 6 OTHER ASSETS

Other assets consist of amounts lent by the North Dakota Development Fund (NDDF) and passed through the regional council to eligible businesses. Upon repayment of these funds, moneys are held in reserve, by the NDDF, for the regional council to relend for future projects.

Note 7 CAPITAL ASSETS

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

	<u>Balance July 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30</u>
Governmental Activities:				
<i>Capital assets being depreciated:</i>				
Vehicles	<u>15,999</u>			<u>15,999</u>
<i>Less accumulated depreciation for:</i>				
Vehicles	<u>15,999</u>			<u>15,999</u>
Governmental Activities Capital Assets, Net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note 8 ACCOUNTS PAYABLE

Accounts payable consists of amounts owed for services provided prior to June 30, 2021 and chargeable to the appropriations for the year then ended, but paid for subsequent to that date.

Note 9 INTEREST PAYABLE

Interest payable consists of interest on long-term liabilities accrued to June 30, 2021.

Note 10 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the year ended June 30, 2021 the following changes occurred in liabilities reported in the long-term liabilities – Governmental Activities:

	Balance July 1	Increases	Decreases	Balance June 30	Due Within One Year
Loans Payable	259,729	-	42,646	217,083	43,073

Outstanding debt at June 30, 2021 consists of the following:

General Obligation Debt. General obligation debt is a direct obligation and pledges the full faith and credit of the government.

Loans Payable. The regional council received two separate loans from USDA-Rural Development under the Intermediary Relending Program. These funds are then loaned to local businesses in rural areas to assist in obtaining low interest financing. Loans payable outstanding at June 30, 2021 are as follows:

Intermediary Relending Program #1

\$500,000 loan from USDA dated August 19, 1994.

Term of the loan is 30 years; interest is at 1%.

79,704.87

The annual requirements to amortize the outstanding loan payable are as follows:

Year Ending June 30	Principal	Interest
2022	19,768.38	796.62
2023	19,966.07	598.93
2024	20,165.73	399.27
2025	19,804.69	154.49
Total	79,704.87	1,949.31

Intermediary Relending Program #2

\$600,000 loan from USDA dated August 21, 1996.

Term of the loan is 30 years; interest is at 1%.

137,378.31

The annual requirements to amortize the outstanding loan payable are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2022	23,304.31	1,373.69
2023	23,537.35	1,140.65
2024	23,772.72	905.28
2025	24,010.45	667.55
2026	24,250.55	427.45
2027	18,502.93	176.00
Total	<u>137,378.31</u>	<u>4,690.62</u>

Note 11 RISK MANAGEMENT

The Roosevelt-Custer Regional Council is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions of the State of North Dakota 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 regional council pays an annual premium to NDIRF for its general liability and automobile insurance coverage. The coverage by NDIRF is limited to losses of \$1,000,000 per occurrence for general liability and automobile.

The regional council also participates in the State Bonding Fund. The State Bonding Fund currently provides the regional council with a blanket fidelity bond coverage in the amount of \$282,267 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

ROOSEVELT-CUSTER REGIONAL COUNCIL
Dickinson, North Dakota

Budgetary Comparison Schedule
General and DCS Funds
For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Contributions and Charges for Services	76,740.00	76,740.00	76,240.00	(500.00)
CDBG Administration	37,006.30	37,006.30	18,505.90	(18,500.40)
Loan Funds Administration	17,250.00	17,250.00	5,832.03	(11,417.97)
Federal Grants			3,767.84	3,767.84
Miscellaneous			438.00	438.00
Total Revenues	130,996.30	130,996.30	104,783.77	(26,212.53)
Expenditures:				
Current:				
Contracted Services	94,850.00	94,850.00	76,682.76	18,167.24
Vehicle Expense	2,100.00	2,100.00	265.57	1,834.43
Professional Fees	500.00	500.00	526.48	(26.48)
Audit	5,660.00	5,660.00	6,800.00	(1,140.00)
Office Supplies	250.00	250.00	188.64	61.36
Postage	325.00	325.00	286.70	38.30
Advertising and Marketing	500.00	500.00	124.00	376.00
Office Rent	3,000.00	3,000.00	7,924.00	(4,924.00)
Telephone	1,800.00	1,800.00	1,056.81	743.19
Public Notices	215.00	215.00	312.62	(97.62)
Meeting Expenses			200.00	(200.00)
Accounting	820.00	820.00	864.99	(44.99)
Travel	339.00	339.00	181.70	157.30
Dues	1,300.00	1,300.00		1,300.00
Utilities	600.00	600.00		600.00
Computer and Software	3,000.00	3,000.00		3,000.00
Insurance	1,082.00	1,082.00	1,634.00	(552.00)
Total Expenditures	116,341.00	116,341.00	97,048.27	19,292.73
Net Change in Fund Balances	14,655.30	14,655.30	7,735.50	(6,919.80)
Fund Balance - July 1	123,297.75	123,297.75	123,297.75	
Fund Balance - June 30	137,953.05	137,953.05	131,033.25	(6,919.80)

ROOSEVELT-CUSTER REGIONAL COUNCIL
Dickinson, North Dakota

Budgetary Comparison Schedule
Intermediary Relending Program #1 Fund
For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Loan Interest Payments	1,299.85	1,299.85	1,464.60	164.75
Interest from Deposits	388.81	388.81	303.67	(85.14)
Total Revenues	1,688.66	1,688.66	1,768.27	79.61
<u>Expenditures:</u>				
Current:				
Administration	2,044.00	2,044.00	1,617.34	426.66
Debt Service:				
Principal	19,572.22	19,572.22	19,572.22	-
Interest	992.78	992.78	992.78	-
Total Expenditures	22,609.00	22,609.00	22,182.34	426.66
Net Change in Fund Balances	(20,920.34)	(20,920.34)	(20,414.07)	506.27
Fund Balance - July 1	244,919.39	244,919.39	244,919.39	
Fund Balance - June 30	223,999.05	223,999.05	224,505.32	506.27

ROOSEVELT-CUSTER REGIONAL COUNCIL
Dickinson, North Dakota

Budgetary Comparison Schedule
Intermediary Relending Program #2 Fund
For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Loan Interest Payments	6,603.22	6,603.22	7,413.52	810.30
Interest from Deposits	156.75	156.75	234.42	77.67
Total Revenues	6,759.97	6,759.97	7,647.94	887.97
<u>Expenditures:</u>				
Current:				
Administration	2,656.00	2,656.00	1,631.91	1,024.09
Debt Service:				
Principal	23,073.48	23,073.48	23,073.48	-
Interest	1,604.52	1,604.52	1,604.52	-
Total Expenditures	27,334.00	27,334.00	26,309.91	1,024.09
Net Change in Fund Balances	(20,574.03)	(20,574.03)	(18,661.97)	1,912.06
Fund Balance - July 1	354,107.96	354,107.96	354,107.96	
Fund Balance - June 30	333,533.93	333,533.93	335,445.99	1,912.06

ROOSEVELT-CUSTER REGIONAL COUNCIL
Dickinson, North Dakota

Notes to the Budgetary Comparison Schedules
June 30, 2021

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

Based upon available financial information and requests by the governing board, the regional council's accountant and executive director prepare the preliminary budget. The council's budget is prepared for the general and DCS funds and also each loan program fund by function and activity on the modified accrual basis of accounting. The council budgets for the general and DCS funds together because the administration of these funds is integrally commingled. The preliminary budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year end.

The final budget is adopted on or before August 15. The governing board may amend the budget during the year for any revenues and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the board and the approval must be noted in the official proceedings for the board.

Note 2 LEGAL COMPLIANCE

The governing board did not amend the council's budget during the year ended June 30, 2021.

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the Revolving Loan Fund by \$2,582.78 for the year ending June 30, 2021. No remedial action is anticipated or required by the regional council regarding these excess expenditures.

ROOSEVELT-CUSTER REGIONAL COUNCIL
Dickinson, North Dakota

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor Pass-Through Grantor Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
<u>U.S. Department of Agriculture</u> Rural Development - Direct Program:			
Intermediary Relending Program	10.767	05-39-02749	217,083.18
<u>U.S. Department of the Commerce</u> Economic Development Administration - Direct Program:			
Economic Adjustment Assistance	11.307	N/A	755,624.18
<u>U.S. Department of Housing and Urban Development</u> Passed Through State Division of Community Services:			
Community Development Block Grant	14.228	4743-CDBG20	3,767.84
Total Expenditures of Federal Awards			976,475.20

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards is prepared on the modified accrual basis of accounting.

The de minimis indirect cost rate was not used.

Note 2 - Loan Programs

The regional council has obtained federal loans from the U.S. Department of Agriculture (USDA) for the Intermediary Relending Program and a federal grant from the U.S. Department of Commerce for the Revolving Loan Fund. As part of these loan programs, the regional council obtained local matching funds. Following is the calculation of the federal expenditures for each of these loan programs.

	Revolving Loan Fund	Intermediary Relending Program #1	Intermediary Relending Program #2
Economic Development Loan Balances, June 30, 2021	269,191.84		
Cash Balance, June 30, 2021	735,724.28		
Loan Balance, June 30, 2021		79,704.87	137,378.31
Current Year Administrative Expenses	2,582.78		
Total Expenditures	1,007,498.90	79,704.87	137,378.31
Federal Percentage	75%	100%	100%
Total Federal Expenditures	755,624.18	79,704.87	137,378.31

Rath & Mehrer, P.C.

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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

INDEPENDENT AUDITOR'S REPORT

Governing Board
Roosevelt-Custer Regional Council
Dickinson, 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, each major fund and the aggregate remaining fund information of the Roosevelt-Custer Regional Council, Dickinson, North Dakota, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the regional council's basic financial statements, and have issued our report thereon dated February 25, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the regional council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the regional council's internal control. Accordingly, we do not express an opinion on the effectiveness of the regional council's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the regional council'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. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001 and 2021-002, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the regional council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Regional Council's Response to Findings

The regional council's response to the findings identified in our audit are described in the accompanying *Schedule of Findings and Responses*. The regional council's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Rath and Mehrer, P.C.

Bismarck, North Dakota

February 25, 2022

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

INDEPENDENT AUDITOR'S REPORT

Governing Board
Roosevelt-Custer Regional Council
Dickinson, North Dakota

Report on Compliance for Each Major Federal Program

We have audited the Roosevelt-Custer Regional Council's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the regional council's major federal programs for the year ended June 30, 2021. The regional council's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and responses.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the regional council's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations 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 the regional council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the regional council's compliance.

Opinion on Each Major Federal Program

In our opinion, the regional council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

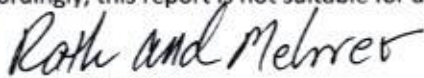
Report on Internal Control Over Compliance

Management of Roosevelt-Custer Regional Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the regional council's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 the regional council's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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.



Rath and Mehrer, P.C.

Bismarck, North Dakota

February 25, 2022

ROOSEVELT-CUSTER REGIONAL COUNCIL
Dickinson, North Dakota

Schedule of Findings and Responses
For the Year Ended June 30, 2021

SECTION I – SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:

Governmental Activities	Unmodified
Major Governmental Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☒ Yes ☐ None Reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None Reported

Type of auditor's report issued on compliance for major program(s):

Unmodified

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

☐ Yes ☒ No

Identification of major program(s):

Federal Assistance Listing Number

11.307

Name of Federal Program

Economic Adjustment Assistance

Dollar threshold used to distinguish between type A and type B Programs:

\$750,000

Auditee qualified as a low-risk auditee?

☒ Yes ☐ No

SECTION II – FINANCIAL STATEMENT FINDINGS:

Significant Deficiencies

1. 2021-001 – Segregation of Duties

Criteria: To ensure adequate internal control over financial reporting and prevent material misstatements due to errors or fraud, there should be a segregation of the functions of approval, custody of assets, posting and reconciliation.

Condition: The regional council has one person responsible for most accounting functions. The employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger and prepare bank reconciliations.

Cause: The regional council does not have a large enough staff to properly segregate all duties.

Effect: A lack of segregation of duties leads to a limited degree of internal control.

Recommendation: We recommend that management and the governing board be aware of the lack of segregation of duties and implement controls whenever possible to mitigate this risk.

Views of Responsible Officials: The regional council is aware of the condition and segregates duties whenever possible.

Repeat Finding from Prior Year: No.

2. 2021-002- Financial Statement Preparation

Criteria: A good system of internal controls requires the regional council to determine that the financial statements are prepared based on accounting principles generally accepted in the United States of America. This means that the regional council must maintain knowledge of current accounting principles and required financial statement disclosures.

Condition: The regional council's financial statements, including the accompanying note disclosures, are prepared by the regional council's external auditors.

Cause: The regional council feels that it is more cost effective to have their external auditors prepare the complete financial statements and disclosures, rather than invest in ongoing specialized training that would be necessary.

Effect: Without the assistance of the auditors, the financial statements could be misstated or omit material financial statement disclosures.

Recommendation: We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures; and review and approve them prior to external distribution.

Views of Responsible officials: The regional council will continue to have the external auditors prepare the financial statements, including note disclosures, but will review and approve them prior to external distribution.

Repeat Finding from Prior Year: No.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

No matters were reported



Roosevelt-Custer Regional Council for Development

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ROOSEVELT-CUSTER REGIONAL COUNCIL Dickinson, North Dakota

Corrective Action Plan For the Year Ended June 30, 2021

1. Finding No. 2021-001: Segregation of Duties

Contact Person: Dean Franchuk, Chairman

Corrective Action Plan: The regional council has determined that it is not cost effective to employ additional personnel just to adequately segregate duties.

Completion Date: Roosevelt-Custer Regional Council will implement when it becomes cost effective.

2. Finding No. 2021-002: Financial Statement Preparation

Contact Person: Dean Franchuk, Chairman

Corrective Action Plan: The regional council feels that it is more cost effective to have their external auditors prepare the financial statements and note disclosures.

Completion Date: Roosevelt-Custer Regional Council will implement when it becomes cost effective.

