

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

AUDIT REPORT

December 31, 2021

TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL  
Williston, North Dakota

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For the Year Ended December 31, 2021

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TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL

LIST OF OFFICIALS

December 31, 2021

Board members as of December 31, 2021:

Fran Zerr, Chairman

Tate Cymbaluk Vice-Chairman

Abby Salinas

Alfred Slater

Beau Anderson

Bert Anderson

Joel Brown

Donald Anderson

Rodney Johnson

Betty Brown

Dr. Bernell Hirning

Pat Hatlestad

Duane Rabbe

Jay Olson

Kaycee Lindsey

Philip Riely

Kent Pedersen

## INDEPENDENT AUDITOR'S REPORT

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

### **Qualified and Unmodified Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Tri-County Regional Development Council as of and for the year ended December 31, 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.

### **Qualified Opinions**

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinions on EDA and RD Revolving Loan Funds" paragraph, the financial statements referred to above present fairly, in all material respects, the financial positions of the EDA and RD Revolving Loan Funds of the Tri-County Regional Development as of December 31, 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.

### **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Tri-County Regional Development Council, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Qualified and Unmodified Opinions on EDA and RD Revolving Loan Funds**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Tri-County Regional Development Council, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Matter Giving Rise to the Qualified Opinions on EDA and RD Revolving Loan Funds**

Management has not included Notes Receivable in the EDA and RD Revolving Loan Funds in the fund financial statements. Accounting principles generally accepted in the United States of America require that Notes Receivable be included as an asset in the fund financial statement, which would increase the assets and fund balance and change the revenues and expenses in the EDA and RD Revolving Loan Funds. The amount by which this departure would increase the assets and non-spendable fund balance is \$133,034 in the EDA Loan Fund and \$54,791 in the RD Revolving Loan Fund. Revenues would decrease by the principal payments received which amount to \$33,863 in the EDA Revolving Loan Fund and \$30,600 in the RD Revolving Loan Fund.

## **Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Tri-County Regional Development Council's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Tri-County Regional Development Council's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Tri-County Regional Development Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 8 and 23 through 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2022 on our consideration of the Tri-County Regional Development Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Tri-County Regional Development Council's internal control over financial reporting and compliance.

*Haga Kommer, Ltd.*

Haga Kommer, Ltd.  
Mandan, North Dakota  
July 25, 2022

**TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2021

This section of the Tri-County Regional Development Council's annual financial report presents our discussion and analysis of the Council's financial performance during the year ended December 31, 2021. Please read it in conjunction with the Council's financial statements which follow this section.

**FINANCIAL HIGHLIGHTS**

- The Council had a decrease in net position of \$50,498 for the year ended December 31, 2021.
- There was \$64,463 of principal payments and \$7,261 of interest collected on notes receivable.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

**Government-Wide Statements**

The government-wide statements (pages 9-10) report information about the Council as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all the government's assets and liabilities. The statement of activities includes all the current year's revenues and expenses regardless of when cash is received or paid.

The two government-wide statements report the Council's net position and how they have changed. Net position – the difference between the Council's assets and liabilities – is one way to measure the Council's financial health or position. Over time, increases or decreases in the Council's net position is an indicator of whether its financial health is improving or deteriorating, respectively. But to assess the overall health of the Council, you also need to consider nonfinancial factors.

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

**TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2021

**Fund Financial Statements**

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

The Council has two kinds of funds:

- *Governmental funds* – Most of the Council's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Council's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide a reconciliation after each governmental funds statement that explains the differences between the governmental funds statement and the government-wide statement.
- *Fiduciary* – This Council is the trustee, or fiduciary, for certain funds. The Council is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All the Council's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the Council's government-wide financial statements because the Council cannot use these assets to finance its operations.

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As stated earlier, net position may serve over time as a useful indicator of a government's financial position. The Council's assets exceeded liabilities by \$311,293 at December 31, 2021. The net position decreased by \$50,498, for the year ended December 31, 2021.

The Council has restricted net position of \$247,178 for the revolving loan fund programs. Unrestricted net position had a balance of \$55,546 at December 31, 2021. The Council has a net investment in capital assets of \$8,569.



**TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2021

<u>Governmental Activities</u>	<u>2021</u>	<u>2020</u>
Assets:		
Current Assets	\$ 135,923	\$ 179,259
Notes Receivable, Net	184,825	193,621
Capital Assets, Net of Depreciation	<u>8,569</u>	<u>5,136</u>
Total Assets	329,317	378,016
Liabilities and Deferred Inflows of Resources:		
Long-term Liabilities	18,004	16,205
Unavailable Revenue	<u>20</u>	<u>20</u>
Total Liabilities and Deferred Inflows of Resources	<u>18,024</u>	<u>16,225</u>
Net Position:		
Net Investment in Capital Assets	8,569	5,136
Restricted for Loan Programs	247,178	244,147
Unrestricted	<u>55,546</u>	<u>112,508</u>
Total Net Position	<u>\$ 311,293</u>	<u>\$ 361,791</u>
<u>Governmental Activities</u>	<u>2021</u>	<u>2020</u>
Revenues:		
Program Revenues:		
Fees, Fines, & Charges for Services	\$ 89,301	\$ 61,754
Operating Grants & Contributions	125,532	173,421
General Revenues:		
Dues	100,000	100,000
Interest Income	100	121
Miscellaneous	<u>755</u>	<u>4,958</u>
Total Revenues	315,688	340,254
Expenses:		
Economic Development	356,801	239,354
Lending Programs	<u>9,385</u>	<u>14,068</u>
Total Expenses	<u>366,186</u>	<u>253,422</u>
Change in Net Position	(50,498)	86,832
Net Position, Beginning of Year	<u>361,791</u>	<u>274,959</u>
Net Position, End of Year	<u>\$ 311,293</u>	<u>\$ 361,791</u>

The Council's total revenues were \$315,688 in 2021 and \$340,254 in 2020. Fees, fines, and charges for services provided 28 percent of revenues in 2021 and 18 percent of revenues in 2020. Grants provided 40 percent of revenues in 2021 and 52 percent in 2020. Dues provided 32 percent of revenues in 2021 and 30 percent of revenues in 2020. The total cost of all programs and services was \$366,186 in 2021 and \$253,422 in 2020.

**TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2021

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

- Revenues from governmental fund types totaled \$380,151 in 2021 and \$377,594 in 2020.
- Total expenditures were \$423,487 in 2021 and \$342,809 in 2020.
- The RD Revolving Loan Fund transferred \$2,253 to the General Fund and the EDA Revolving Loan Fund transferred \$3,415 to the General Fund.
- Total fund balances decreased by \$43,336 for the year ended December 31, 2021.
- The general fund balance decreased by \$55,163.

**CAPITAL ASSETS**

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

**LONG-TERM LIABILITIES**

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

**GOVERNMENTAL FUND BUDGETARY HIGHLIGHTS**

General Fund:

- Actual revenues were \$19,375 more than budgeted. The Council received \$47,889 in grant dollars for EDA Cares Act due to COVID-19 which was not budgeted.
- Actual expenditures were \$104,716 more than budget. Salaries and Contract Service expenditures were over budget by \$30,546 and \$60,261 respectively.

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

- The Council has budgeted revenues at \$266,400 for 2022.
- The Council has budgeted expenses at \$265,046 for 2022.
- If these estimated amounts are realized, the Council will deplete cash reserves by \$1,354.

**CONTACTING THE COUNCIL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Council's finances and to demonstrate the Council's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the executive director at 22 East Broadway Avenue, PO Box 697, Williston, North Dakota 58802-0697.

**TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL**

**STATEMENT OF NET POSITION**

December 31, 2021

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Cash & Cash Equivalents	\$ 127,680
Accounts Receivable	7,643
Prepaid Expenses	600
Notes Receivable, Net	184,825
Capital Assets, Net of Depreciation	<u>8,569</u>
Total Assets	329,317
 <b>LIABILITIES:</b>	
Current Liabilities:	
Non-current Liabilities:	
Portion Due After One Year	
Compensated Absences Payable	18,004
Deferred Inflows of Resources:	
Unavailable Revenue	<u>20</u>
Total Liabilities and Deferred Inflows of Resources	<u>18,024</u>
 <b>NET POSITION:</b>	
Net Investment in Capital Assets	8,569
Restricted for:	
Loan Programs	247,178
Unrestricted	<u>55,546</u>
Total Net Position	<u>\$ 311,293</u>

**TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL**

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021

Program Activities	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Fees, Fines & Charges for Services	Operating Grants & Contributions	
Governmental Activities:				
Economic Development	\$ 356,801	\$ 82,040	\$ 125,532	\$ (149,229)
Lending Programs	<u>9,385</u>	<u>7,261</u>	<u>-</u>	<u>(2,124)</u>
Total Governmental Activities	366,186	89,301	125,532	(151,353)
General Revenues				
County Dues				100,000
Interest Income				100
Miscellaneous				<u>755</u>
Total General Revenues				<u>100,855</u>
Change in Net Position				(50,498)
Net Position, December 31, 2020				<u>361,791</u>
Net Position, December 31, 2021				<u><u>\$ 311,293</u></u>

**TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

December 31, 2021

	Major Funds			Total Governmental Funds
	General	EDA Revolving Loan Fund	RD Revolving Loan Fund	
<b>ASSETS</b>				
Cash & Cash Equivalents	\$ 65,327	\$ 22,452	\$ 39,901	\$ 127,680
Accounts Receivable	7,643	-	-	7,643
Prepaid Expenses	600	-	-	600
Due from Agency Funds	0	0	0	0
<b>TOTAL ASSETS</b>	<u>\$ 73,570</u>	<u>\$ 22,452</u>	<u>\$ 39,901</u>	<u>\$ 135,923</u>
 <b>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Deferred Inflows of Resources:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Unavailable Revenue	20	-	-	20
<b>Total Deferred Inflows of Resources</b>	20	-	-	20
 Fund Balances:				
Nonspendable:				
Prepaid Expenses	600	-	-	600
Restricted for Loan Programs	-	22,452	39,901	62,353
Unassigned	72,950	-	-	72,950
<b>Total Fund Balances</b>	<u>73,550</u>	<u>22,452</u>	<u>39,901</u>	<u>135,903</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 73,570</u>	<u>\$ 22,452</u>	<u>\$ 39,901</u>	<u>\$ 135,923</u>

**TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
December 31, 2021

Total <i>Fund Balances</i> for Governmental Funds	\$	135,903
<p>Total <i>net position</i> reported for governmental activities in the statement of net position is different because:</p>		
<p>Notes receivable are not receivable in the current period and are not reported as fund assets. All receivables, both current and long-term, are reported in the statement of net position.</p>		
Notes receivable, net of allowance for uncollectible accounts		184,825
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$10,708, and the accumulated depreciation is \$2,139.</p>		
		8,569
<p>Long-term liabilities applicable to the Council's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.</p>		
Compensated Absences Payable		<u>(18,004)</u>
Total Net Position of Governmental Activities	\$	<u><u>311,293</u></u>

**TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended December 31, 2021

	Major Funds			Total Governmental Funds
	General	EDA Revolving Loan Fund	RD Revolving Loan Fund	
<b>Revenues:</b>				
Federal Sources:				
EDA Planning Grant	\$ 70,000	\$ -	\$ -	\$ 70,000
EDA Cares Act Grant	47,889			47,889
CDBG Administration	7,643			7,643
State & Local Sources:				
CDBG Project Administration	37,014	-	-	37,014
County Dues	100,000	-	-	100,000
Contract Services	5,000	-	-	5,000
SBDC Contract	40,026	-	-	40,026
Miscellaneous	-	455	300	755
Interest Income - Bank	84	-	16	100
Principal Payments on Loans	-	33,863	30,600	64,463
Interest on Loans	-	4,827	2,434	7,261
<b>Total Revenues</b>	<b>307,656</b>	<b>39,145</b>	<b>33,350</b>	<b>380,151</b>
<b>Expenditures:</b>				
Current:				
Salaries	183,221	-	-	183,221
Benefits	76,705	-	-	76,705
Dues & Memberships	2,091	-	-	2,091
Audit	10,150	-	-	10,150
Advertising	1,252	-	-	1,252
Equipment & Lease	434	-	-	434
Office Supplies & Printing	11,371	-	-	11,371
Postage	385	-	-	385
Contract Services	73,261	-	-	73,261
Rent	1,200	-	-	1,200
Telephone & Fax	3,255	-	-	3,255
Travel	3,720	-	-	3,720
Insurance	592	-	-	592
Miscellaneous	850	-	-	850
New Loans Paid Out	-	30,000	25,000	55,000
<b>Total Current Expenditures</b>	<b>368,487</b>	<b>30,000</b>	<b>25,000</b>	<b>423,487</b>
<b>Excess of Revenues Over (Under)</b>				
Expenditures	(60,831)	9,145	8,350	(43,336)
<b>Other Financing Sources and (Uses)</b>				
Fund Transfers	5,668	(3,415)	(2,253)	-
<b>Total Other Financing Sources and (Uses)</b>	<b>5,668</b>	<b>(3,415)</b>	<b>(2,253)</b>	<b>-</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>(55,163)</b>	<b>5,730</b>	<b>6,097</b>	<b>(43,336)</b>
<b>Fund Balance - December 31, 2020</b>	<b>128,713</b>	<b>16,722</b>	<b>33,804</b>	<b>179,239</b>
<b>Fund Balance - December 31, 2021</b>	<b>\$ 73,550</b>	<b>\$ 22,452</b>	<b>\$ 39,901</b>	<b>\$ 135,903</b>

**TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2021

Net Change in *Fund Balances* - Total Governmental Funds \$ (43,336)

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

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

Current year principal payments received (64,463)

Amounts advanced on notes receivable are reported as expenses in the governmental funds, but the disbursements increase the notes receivable in the statement of net position. The amount of principal advanced (including interest added to loans) on notes receivable is:

55,000

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

667

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

Current Year Capital Outlay 5,395

Current Year Depreciation Expense (1,962)

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

(1,799)

Change in Net Position of Governmental Activities \$ (50,498)



**TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS**  
December 31, 2021

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

**TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2021

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Tri-County Regional Development Council operates as an entity under Chapter 54-40 of the North Dakota Century Code. The financial statements of the Council have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governments. The powers and duties of regional councils set out in NDCC 54-40.1-04 provide that a regional council shall:

1. Adopt agreements, rules, or procedures, as may be necessary to effectuate planning and development in the region.
2. Coordinate planning and development within the regions for all matters of regional concern as determined by the regional council, including land use, social and economic planning, economic development, transportation, health, environmental quality, water and sewage, solid waste, flood relief, parks and open spaces, hospitals, and public buildings.
3. Participate with other public agencies and private organizations in regard to research for planning activities relevant to the region.
4. For the purposes of coordination, work with state departments, agencies, and institutions in reviewing and commenting on all plans for federal aid applications as to their impact on the region.
5. Develop guidelines for the coordination of land use plans and ordinances within the region.
6. Prepare a regional comprehensive plan and upon the preparation of such a plan or any phase, amendment, revision, extension, addition, functional part, or part thereof, file such plan, phase, functional part, amendment, revision, extension, addition, or part thereof with the office, all local planning agencies within the region, and other planning agencies in adjoining areas.
7. Develop an annual budget for operations during a fiscal year.
8. Receive and expend federal, state, and local funds, and contract for services with units of general local government and private individuals and organizations, consistent with the scope and objectives of planning and development functions.
9. Upon availability of funds, hire an executive director who must be given full control over the staff of the regional council. The executive director shall act as a liaison between the regional council and the staff of the regional council and shall advise and assist the regional council in the selection of staff.
10. Provide technical assistance for primary sector business development by leveraging local funds to assist in product development, product testing, business plan development, feasibility studies, gaining patent protection, legal services, market strategy development, and other needs to stimulate business development.
11. Host business outreach forums to stimulate entrepreneurship and interchange with potential investment and forums on other matters of importance to the local area.
12. Upon request, facilitate the financing of local economic development activities; such as interest buy down programs and local revolving loan fund programs, without regard to the fiscal source.
13. Act as a regional development corporation as provided by the individual regional council's bylaws.
14. Have the authority to purchase, own, and manage real property for the purpose of business incubator and regional council administrative functions.

**TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2021

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Following is a summary of the more significant policies:

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

The Council reports the following major governmental funds:

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

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

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

**TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2021

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

D. Cash and Investments/Deposits

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

Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured and bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

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

**TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2021

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The bank balances of all Council funds at December 31, 2020, were \$160,247; the carrying balances at this date were \$127,714. The difference results from checks outstanding or deposits not yet processed. Federal depository insurance was adequate at December 31, 2021.

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

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

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

E. Capital Assets

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

F. Compensated Absences

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

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

G. Allowance for Bad Debts

An allowance of \$14,331 for bad debts has been established for the Revolving Loan Fund (RLF) and RD Revolving Loan Fund (RD RLF) based on management's estimate of uncollectible loans.

H. Tax-Exempt Status

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

**TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2021

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

I. Fund Balance Classifications

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

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

*Restricted* – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantor, contributors, or laws or regulations of other government; or (b) imposed by law through constitutional provisions or enabling legislation.

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

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

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

When both restricted and unrestricted resources are available for use, the Council’s preference is to first use restricted resources, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

J. Encumbrance Accounting

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

NOTE 2      NOTES RECEIVABLE

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

*EDA Revolving Loan Fund* – The Revolving Loan Fund was established to provide loans to entities through federal and donated funds. The Council received a grant of \$200,000 from EDA and local match of \$70,000 was required. Match for the grant was provided with CDLF loans. As loans are repaid, the revolved funds must be used for new loans. As of December 31, 2021, the amount of outstanding principal on the loans was \$144,482.

*RD Revolving Loan Fund* – The RD Revolving Loan fund was established to provide loans to entities through a federal RBEG and matching funds. As loans are repaid, the revolved funds must be used for new loans. As of December 31, 2021, the amount of outstanding principal on the loans was \$57,674.

**TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2021

**NOTE 3      CAPITAL ASSETS**

Following is a summary of changes in capital assets for the year ended December 31, 2021:

	Equipment	Accumulated Depreciation	Net
Balance, December 31, 2020	\$ 20,700	\$ 15,564	\$ 5,136
Increases - Calendar Year 2021	5,395	1,962	3,433
Decreases - Calendar Year 2021	(15,387)	(15,387)	-
Balance, December 31, 2021	\$ 10,708	\$ 2,139	\$ 8,569

Depreciation expense of \$1,962 was charged to the economic development activity on the statement of activities.

**NOTE 4      UNAVAILABLE REVENUE**

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

**NOTE 5      LONG-TERM LIABILITIES**

Long-term liabilities include compensated absences payable of \$18,004. Changes in long-term liabilities for the year are as follows:

	Compensated Absences*
Balance, December 31, 2020	\$ 16,205
Change in Compensated Absences	1,799
Balance, December 31, 2021	\$ 18,004

\*The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost. It also is not possible to determine the current portion expected to be used in the next year.

**NOTE 6      RETIREMENT BENEFITS**

The Council has a 401(k) plan for employees with American State Bank & Trust. The Council matches up to seven percent of the employee's contribution to the plan. Total employer expense for 2021 was \$8,157 and the total employee contributions were \$8,157.

**NOTE 7      LEASES**

The Council leases office space for \$1,200 for 12-month periods ending in June each year. Total rent expense for 2021 was \$1,200. The annual rent is due July 1 of each year. Prepaid rent of \$600 has been recorded.

**TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2021

**NOTE 8      RESTRICTED NET POSITION/RESTRICTED FUND BALANCES**

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

**NOTE 9      RISK MANAGEMENT**

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

**NOTE 10     EXPENDITURES IN EXCESS OF BUDGET**

For the year ended December 31, 2021, the expenditure budget as a whole was over budget. No remedial action is anticipated.

**NOTE 11     FUND TRANSFERS**

The fund transfers on the statement of revenues, expenditures, and changes in fund balances arise because the General fund pays the RLF fund operating expenses and the RLF fund reimburses the General fund for these expenditures. The following were the fund transfers that occurred during the year ended December 31, 2020.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 5,668	\$ -
EDA RLF	-	3,415
RD RLF	-	2,253
	<u>\$ 5,668</u>	<u>\$ 5,668</u>

**NOTE 12     CONCENTRATION OF RISK**

In 2021, the Council received about 41 percent of its general fund revenues from federal grants; 19 percent from contract and project administration, and 33 percent from county contributions. Changes in these revenues would significantly impact the Council.

**NOTE 13     SUBSEQUENT EVENTS**

The Council evaluated its December 31, 2021, financial statements for subsequent events through July 25, 2022.



***REQUIRED  
SUPPLEMENTARY INFORMATION***

**TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues:</b>				
Federal Sources:				
EDA Planning Grant	\$ 70,000	\$ 70,000	\$ 70,000	\$ -
EDA Cares Act	-	-	47,889	47,889
RBEG	2,000	2,000	-	(2,000)
CDBG Administration	7,600	7,600	7,643	43
State & Local Sources:				
CDBG Project Administration	74,481	74,481	37,014	(37,467)
County Dues	100,000	100,000	100,000	-
SBDC Contract	33,500	33,500	40,026	6,526
Other Contracts	-	-	5,000	5,000
CDLF Loan Servicing Fees	300	300	-	(300)
Miscellaneous	200	200	-	(200)
Interest Income - Bank	200	200	84	(116)
<b>Total Revenues</b>	<b>288,281</b>	<b>288,281</b>	<b>307,656</b>	<b>19,375</b>
<b>Expenditures:</b>				
Current:				
Salaries	152,675	152,675	183,221	(30,546)
Benefits	67,396	67,396	76,705	(9,309)
Dues & Memberships	1,000	1,000	2,091	(1,091)
Professional Fees	9,600	9,600	10,150	(550)
Advertising	700	700	1,252	(552)
Equipment & Lease	1,000	1,000	434	566
Office Supplies & Printing	2,800	2,800	11,371	(8,571)
Postage	800	800	385	415
Contract Services	13,000	13,000	73,261	(60,261)
Rent	1,200	1,200	1,200	-
Telephone & Fax	3,000	3,000	3,255	(255)
Travel	6,000	6,000	3,720	2,280
Insurance	800	800	592	208
Miscellaneous	3,800	3,800	850	2,950
<b>Total Expenditures</b>	<b>263,771</b>	<b>263,771</b>	<b>368,487</b>	<b>(104,716)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>24,510</b>	<b>24,510</b>	<b>(60,831)</b>	<b>(85,341)</b>
<b>Other Financing Sources and (Uses)</b>				
Fund Transfers	7,000	7,000	5,668	(1,332)
<b>Total Other Financing Sources and (Uses)</b>	<b>7,000</b>	<b>7,000</b>	<b>5,668</b>	<b>(1,332)</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>31,510</b>	<b>31,510</b>	<b>(55,163)</b>	<b>(86,673)</b>
<b>Fund Balance - December 31, 2020</b>	<b>128,713</b>	<b>128,713</b>	<b>128,713</b>	<b>-</b>
<b>Fund Balance - December 31, 2021</b>	<b>\$ 160,223</b>	<b>\$ 160,223</b>	<b>\$ 73,550</b>	<b>\$ (86,673)</b>

TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL  
Notes to Required Supplementary Information  
December 31, 2021

NOTE 1      BUDGETS

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

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

INDEPENDENT ACCOUNTANT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

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

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Tri-County Regional Development Council as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated July 25, 2022.

**Report on Internal Control Over Financial Reporting**

In connection with our engagement to audit the financial statements of the Tri-County Regional Development Council, we considered the Council's internal control over financial reporting (internal control) as a basis for designing 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 Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies in internal control described in the accompanying schedule of findings as items 2021-001 and 2021-002 to be material weaknesses.

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.

## **Report on Compliance and Other Matters**

In connection with our engagement to audit the financial statements of the Tri-County Regional Development Council, 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Tri-County Regional Development Council's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Tri-County Regional Development Council's response to the findings identified in our engagement and described in the accompanying schedule of findings and questioned costs. The Council's response was not subjected to the other auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

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

*Haga Kommer, Ltd.*

Haga Kommer, Ltd.  
Mandan, North Dakota  
July 25, 2022

**TRI-COUNTY REGIONAL DEVELOPMENT COUNCIL**

**SCHEDULE OF FINDINGS**

For the Year Ended December 31, 2021

**Finding 2021-001: Segregation of Duties**

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

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

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

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

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

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

**Finding 2021-002: Preparation of Financial Statements**

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

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

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

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

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

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