

SOURIS BASIN PLANNING COUNCIL (A NON-PROFIT ORGANIZATION)

Financial Statements

December 31, 2021 and 2020



**Souris Basin Planning Council
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December 31, 2021 and 2020**

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Independent Auditor's Report

Board of Directors
Souris Basin Planning Council
Minot, North Dakota

Report on the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of Souris Basin Planning Council (the Council), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements which collectively comprise the Council's basic financial statements as listed in the table of contents.

Summary of Opinions

For the year ended December 31, 2021:

<i>Opinion Unit</i>	<i>Type of Opinion</i>
Governmental Activities	Unmodified
General Fund	Qualified
Impact Fund	Qualified
Business Accelerator Fund	Qualified
Resiliency Fund	Qualified

For the year ended December 31, 2020:

<i>Opinion Unit</i>	<i>Type of Opinion</i>
Governmental Activities	Unmodified
Resiliency Fund	Unmodified
General Fund	Qualified
Revolving Loan Fund	Qualified
Intermediary Relending Program	Qualified
Business Accelerator Fund	Qualified

Unmodified Opinions on the Governmental Activities and Major Fund

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities as of December 31, 2021 and 2020 and the respective changes in financial position for the years then ended and the Resiliency Fund as of December 31, 2020 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.

Qualified Opinions on Major Funds

In our opinion, except for the effects, if any, of the matter described in the Basis for Qualified Opinions on Major Funds section, the accompanying financial statements present fairly, in all material respects, the respective financial position of the General Fund, Impact Fund, Business Accelerator Fund, and Resiliency Fund of the Council, as of December 31, 2021, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects, if any, of the matter described in the Basis for Qualified Opinions on Major Funds section, the accompanying financial statements present fairly, in all material respects, the respective financial position of the General Fund, Revolving Loan Fund, Intermediary Relending Program, and Business Accelerator Fund, of the Council, as of December 31, 2020, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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.

Basis for Qualified Opinions on Major Funds

The Council has been inconsistent in applying accounting policies for recording administrative fees charged by the General Fund to other governmental funds. The General Fund receives administration fees from governmental funds for administering loan programs. In 2020, all loan origination fees were directly receipted to the General Fund and not recorded in the respective governmental funds which originated the loans. In 2021, a portion of loan origination fees were directly receipted to the General Fund. A portion of loan origination fees were receipted to the governmental funds which originated the loans and disbursements were made to the General Fund for administration fees. Various instances of coding of receipts and disbursements to incorrect funds were identified. Accounting principles generally accepted in the United States of America applicable to governments require accurate accounting for the cash, other financial resources, liabilities, and fund balance of each fund, which is segregated based on the purpose of carrying on specific activities or objectives in accordance with special regulations, restrictions or limitations. Material adjustments were proposed to correct errors identified. Due to the difficulty in identifying the appropriate fund for all loan program receipts, we were unable to determine whether the adjustments proposed corrected all misstatements that may exist in the financial statements. There is a possibility that uncorrected misstatements may be material to the General Fund, Revolving Loan Fund, Intermediary Relending Program, Impact Fund, Business Accelerator Fund, and Resiliency Fund. The amount by which this departure would affect the assets, fund balances, and revenues and expenses of the aforementioned funds has not been determined.

Responsibilities of Management for the Financial Statements

The Council's 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 Council's ability to continue as a going concern for one year after the date that the financial statements are issued.

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 GAAS and *Government 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 GAAS and *Government 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 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 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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which 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 management's discussion and analysis 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. The Management's Discussion and Analysis is not a complete presentation. 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 budgetary comparison information that accounting principles generally accepted in the United States of America require 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 which 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 opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2023 on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Council's internal control over financial reporting and compliance.

Casey Peterson, LTD

Casey Peterson, LTD

Rapid City, South Dakota

June 6, 2023

SOURIS BASIN PLANNING COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021 AND 2020

This section of the Souris Basin Planning Council's annual financial report presents our discussion and analysis of the Council's financial performance during the years ended December 31, 2021 and 2020. Please read it in conjunction with the Council's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of Souris Basin Planning Council exceeded its liabilities \$3,445,853 and \$1,773,269 for the years ended December 31, 2021 and 2020, respectively (*net position*). Of this amount, \$1,690,919 and \$242,317 (*unrestricted net position*) may be used to meet the Council's ongoing obligations for the years ended December 31, 2021 and 2020, respectively.
- The Council's total net position increased by \$1,672,584 and \$177,718 for the years ended December 31, 2021 and 2020, respectively.
- As of the close of the current fiscal year, Souris Basin Planning Council's governmental funds reported combined ending fund balances of \$3,454,868 and \$1,991,636 for the years ended December 31, 2021 and 2020, respectively.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$963,565 and \$252,548 for the years ended December 31, 2021 and 2020, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Council's basic financial statements. The Council's basic financial statements are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements and 4) Federal Awards section. This report also contains required supplementary information in addition to the basic financial statements themselves.

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

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the Council's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the Council's operations in *more detail* than the government-wide statements.
 - The *governmental funds statements* tell how general government services were financed in the *short-term* as well as what remains for future spending.

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

SOURIS BASIN PLANNING COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2021 AND 2020

Government-Wide Statements

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

The two government-wide statements report the Council's *net position* and how they have changed. Net position – the difference between the Council's assets and liabilities – is one way to measure the Council's financial health or *position*.

- Over time, increases or decreases in the Council's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Council's overall health, you need to consider additional nonfinancial factors.

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

Fund Financial Statements

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

The Council has one type of funds:

- Governmental funds: Most of the Council's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Council's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide a reconciliation after each governmental fund statement that explains the differences between the governmental funds statement and the government-wide statements.

The Council adopts an annual budget for its general fund. Budgetary comparison statements are omitted from the required supplementary information.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

As stated earlier, net position may serve over time as a useful indicator of a government's financial position. The Council's assets exceeded liabilities by \$3,445,853 and the net position increased by \$1,672,584 for the year ended December 31, 2021. The Council's assets exceeded liabilities by \$1,773,269 and the net position increased by \$177,718 for the year ended December 31, 2020.

SOURIS BASIN PLANNING COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2021 AND 2020

Fifty one percent of the Council's net position is restricted for use in the loan fund programs in 2021 and eighty six percent in 2020. Unrestricted net position may be used to fund Council activities in the next fiscal year.

<u>Governmental Activities</u>	<u>12/31/21</u>	<u>12/31/20</u>	<u>12/31/19</u>
Assets:			
Current and other assets	\$ 1,403,533	\$ 1,206,215	\$ 1,254,945
Notes receivable, net	2,068,444	859,452	927,462
Capital assets	2,636	4,125	5,615
Total Assets	<u>3,474,613</u>	<u>2,069,792</u>	<u>2,188,022</u>
Liabilities:			
Current liabilities	18,554	93,929	234,335
Long-term liabilities	10,206	202,594	358,136
Total Liabilities	<u>28,760</u>	<u>296,523</u>	<u>592,471</u>
Net Position:			
Net investment in capital assets	(65)	42	211
Restricted for loan programs	1,754,999	1,530,910	1,438,669
Unrestricted	1,690,919	242,317	156,671
Total Net Position	<u>\$ 3,445,853</u>	<u>\$ 1,773,269</u>	<u>\$ 1,595,551</u>
<u>Governmental Activities</u>	<u>12/31/21</u>	<u>12/31/20</u>	<u>12/31/19</u>
Revenues:			
Program revenues:			
Fees, fines, & charges for services	\$ 315,258	\$ 196,314	\$ 322,173
Operating grants & contributions	2,041,931	572,820	77,612
General revenues:			
Joint power agreements	69,971	66,829	56,317
Mileage assessments	4,900	5,250	4,745
Interest income	2,379	7,868	10,925
Miscellaneous	19,018	19,537	41,721
Gain on disposal of assets	-	2,500	-
Total Revenues	<u>2,453,457</u>	<u>871,118</u>	<u>513,493</u>
Expenses:			
Economic Development	737,041	567,041	393,020
Lending Programs	43,832	126,359	56,626
Total Expenses	<u>780,873</u>	<u>693,400</u>	<u>449,646</u>
Change in Net Position	<u>1,672,584</u>	<u>177,718</u>	<u>63,847</u>
Net Position, Beginning of Year	<u>1,773,269</u>	<u>1,595,551</u>	<u>1,531,704</u>
Net Position, End of Year	<u>\$ 3,445,853</u>	<u>\$ 1,773,269</u>	<u>\$ 1,595,551</u>

SOURIS BASIN PLANNING COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2021 AND 2020

The Council's total revenues for 2021 and 2020 were \$2,453,457 and \$871,118, respectively. In 2021, 13% of the Council's revenues came from charges for services and 83% came from grants. In 2020, 23% came from charges for services and 66% came from grants.

The total cost of all programs and services was \$780,873 in 2021 and \$693,400 in 2020.

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. The Council's governmental funds include the general fund, Impact fund, Business Accelerator fund, and Resiliency fund for 2021, and the general fund, Revolving Loan fund, Intermediary Relending Program, Business Accelerator fund, and Resiliency fund for 2020.

Analysis of the government's funds during 2021 are as follows:

- Revenues from governmental fund types totaled \$2,536,178, an increase of \$1,607,203 from the preceding year.
- Expenditures from governmental fund types totaled \$1,463,232 an increase of \$148,888 from the preceding year.
- Total fund balances increased by \$1,072,946.
- The general fund balance increased by \$144,559.

Analysis of the government's funds during 2020 are as follows:

- Revenues from governmental fund types totaled \$928,975, an increase of \$380,136 from the preceding year.
- Expenditures from governmental fund types totaled \$924,058 an increase of \$402,389 from the preceding year.
- Total fund balances increased by \$4,917.
- The general fund balance increased by \$88,205.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Council's investment in capital assets was \$2,636 at the end of fiscal year 2021 and \$4,125 at the end of fiscal year 2020 (net of accumulated depreciation). This investment includes furniture, fixtures and office equipment. Additional information on the Council's capital assets can be found in Note 6 of this report.

Long-Term Debt

The Council has an Intermediary Relending Program which provide loans to entities through a federal loan and local match dollars. The Council is required to repay the original federal loan funds to the United States Department of Agriculture.

SOURIS BASIN PLANNING COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2021 AND 2020

The Council has recorded a liability for a capital lease and compensated absences. The Council is also liable for compensated absences in the event an employee leaves employment.

<u>Governmental Activities</u>	<u>12/31/21</u>	<u>12/31/20</u>
Compensated Absences Payable	\$ 8,950	\$ 13,549
USDA Rural Development Loan Payable #2	-	204,860
Capital Lease Payable	2,701	4,083
Total Long-Term Liabilities	<u>\$ 11,651</u>	<u>\$ 222,492</u>

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

ECONOMIC FACTORS

For 2021:

- The Council budgeted a 3% salary increase for full-time staff. Staff salary increases may be included in each annual budget based on funds available and staff performance.
- The Council relies on a planning grant from the Economic Development Administration (EDA), supplemented by local county dues. In 2019, the Council launched the Souris Basin Community Builder program providing technical assistance and support to North Dakota communities and nonprofit organizations as an intermediary site for AmeriCorps VISTA and AmeriCorps North Dakota programs. This program is funded by grants and local funds. In 2020, The Council contracted with Mountrail County Job Development Authority to provide administrative, program, and financial services. The Council continues to seek projects for the benefit of the region from public and private sources.
- The Council continues to increase its revenue potential by providing technical and planning services to nonprofit and public organizations throughout the region.
- The Council will focus efforts on global pandemic recovery and resiliency in the region, based on existing or anticipated COVID-19 impact and general need.

SOURIS BASIN PLANNING COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2021 AND 2020

For 2020:

- Our Finance Manager and Community Development Specialist ended their employment in 2020 and positions were eliminated. SBPC contracted with Brady Martz & Associates to assist with financials.
- The Council started the Resiliency Fund, a new loan fund funded through the EDA.
- The Council started seeing more utilization of the Business Accelerator Fund program by providing several new loans in 2020.
- The Council paid off one of their USDA notes payable balances of \$157,195 during the year.

CONTACTING THE COUNCIL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Council's finances and to demonstrate the Council's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the executive director at PO Box 2024, Minot, North Dakota 58702-2024.

FINANCIAL STATEMENTS

SOURIS BASIN PLANNING COUNCIL
STATEMENTS OF NET POSITION
DECEMBER 31, 2021 AND 2020

ASSETS

CURRENT ASSETS	2021	2020
Cash	\$ 870,992	\$ 799,848
Accounts receivable	125,433	15,344
Accrued interest	25,298	16,066
Prepaid expenses	1,678	3,319
Current portion of notes receivable	380,132	348,103
Total current assets	<u>1,403,533</u>	<u>1,182,680</u>
 CAPITAL ASSETS, NET	 2,636	 4,125
 OTHER ASSETS		
Notes receivable, net of current portion and allowance	2,068,444	859,452
Cash restricted for loan loss reserve and debt service	-	23,535
Total other assets	<u>2,068,444</u>	<u>882,987</u>
Total assets	<u>3,474,613</u>	<u>2,069,792</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Current portion of notes payable	-	18,516
Current portion of capital lease	1,445	1,382
Accounts payable	8,026	4,514
Accrued liabilities	6,582	1,450
Unearned revenue	2,501	68,067
Total current liabilities	<u>18,554</u>	<u>93,929</u>
 LONG-TERM LIABILITIES		
Compensated absences payable	8,950	13,549
Notes payable, net of current portion	-	186,344
Capital lease obligations payable, net of current portion	1,256	2,701
Total long-term liabilities	<u>10,206</u>	<u>202,594</u>
Total liabilities	<u>28,760</u>	<u>296,523</u>
 NET POSITION		
Net investment in capital assets	(65)	42
Restricted		
Loan programs	1,754,999	1,530,910
Unrestricted	1,690,919	242,317
Total net position	<u>\$ 3,445,853</u>	<u>\$ 1,773,269</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

SOURIS BASIN PLANNING COUNCIL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

Program Activities	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Position
		Fees, Fines & Charges for Services	Operating Grants & Contributions	
Governmental activities				
Economic development	\$ 737,041	\$ 197,755	\$ 496,683	\$ (42,603)
Lending programs	43,832	117,503	1,545,248	1,618,919
Total governmental activities	<u>\$ 780,873</u>	<u>\$ 315,258</u>	<u>\$ 2,041,931</u>	<u>1,576,316</u>
General revenues				
				69,971
Joint powers agreement				4,900
Membership dues				2,379
Interest income				19,018
Miscellaneous				
Total general revenues				<u>96,268</u>
Change in net position				1,672,584
Net position, January 1, 2021				1,773,269
Net position, December 31, 2021				<u><u>\$ 3,445,853</u></u>

SEE NOTES TO THE FINANCIAL STATEMENTS

SOURIS BASIN PLANNING COUNCIL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

Program Activities	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Position
		Fees, Fines & Charges for Services	Operating Grants & Contributions	
Governmental activities				
Economic Development	\$ 567,041	\$ 121,296	\$ 383,731	\$ (62,014)
Lending Programs	126,359	75,018	189,089	137,748
Total Government activities	<u>\$ 693,400</u>	<u>\$ 196,314</u>	<u>\$ 572,820</u>	<u>75,734</u>
General revenues				
Joint Powers agreement				66,829
Membership dues				5,250
Interest Income				7,868
Miscellaneous				19,537
Gain on disposal of assets				2,500
Total general revenues				<u>101,984</u>
Change in net position				177,718
Net position, January 1, 2020				1,595,551
Net position, December 31, 2020				<u>\$ 1,773,269</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

SOURIS BASIN PLANNING COUNCIL
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2021

ASSETS	Major Funds				Total Governmental Funds
	General	Impact Fund	Business Accelerator Fund	Resiliency Fund	
CURRENT ASSETS					
Cash	\$ 272,208	\$ 575,897	\$ 2,501	\$ 20,386	\$ 870,992
Accounts receivable	112,340	-	-	13,093	125,433
Due from other funds	28,808	-	3,327	-	32,135
Accrued interest	-	6,532	17,856	910	25,298
Prepaid expenses	1,678	-	-	-	1,678
Current portion of notes receivable	-	272,045	-	108,087	380,132
Total current assets	415,034	854,474	23,684	142,476	1,435,668
OTHER ASSETS					
Notes receivable, net	-	618,720	607,620	998,244	2,224,584
Allowance for uncollectible accounts	-	(156,140)	-	-	(156,140)
Total other assets	-	462,580	607,620	998,244	2,068,444
Total assets	\$ 415,034	\$ 1,317,054	\$ 631,304	\$ 1,140,720	\$ 3,504,112
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 8,026	\$ -	\$ -	\$ -	\$ 8,026
Due to other funds	-	17,612	-	14,523	32,135
Accrued liabilities	6,582	-	-	-	6,582
Unearned revenue	-	-	2,501	-	2,501
Total current liabilities	14,608	17,612	2,501	14,523	49,244
FUND BALANCES					
Nonspendable	1,678	734,625	607,620	1,106,331	2,450,254
Spendable					
Restricted					
Loan program	-	-	21,183	19,866	41,049
Unassigned	398,748	564,817	-	-	963,565
Total fund balances	400,426	1,299,442	628,803	1,126,197	3,454,868
Total liabilities and fund balances	\$ 415,034	\$ 1,317,054	\$ 631,304	\$ 1,140,720	\$ 3,504,112

SEE NOTES TO THE FINANCIAL STATEMENTS

SOURIS BASIN PLANNING COUNCIL
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2020

ASSETS	Major Funds					Total Governmental Funds
	General	Revolving Loan Fund	Intermediary Relending Program	Business Accelerator Fund	Resiliency Fund	
CURRENT ASSETS						
Cash	\$ 233,599	\$ 479,044	\$ 19,138	\$ 30,374	\$ 37,693	\$ 799,848
Accounts receivable	25	-	-	-	15,319	15,344
Due from other funds	23,438	-	-	-	-	23,438
Accrued interest	-	10,598	1,238	4,230	-	16,066
Prepaid expenses	3,319	-	-	-	-	3,319
Current portion of notes receivable	-	297,144	50,959	-	-	348,103
Total current assets	260,381	786,786	71,335	34,604	53,012	1,206,118
OTHER ASSETS						
Notes receivable, net of current portion	-	535,739	228,123	219,190	-	983,052
Allowance for uncollectible accounts	-	(123,600)	-	-	-	(123,600)
Cash restricted for loan loss reserve and debt service	-	-	23,535	-	-	23,535
Total other assets	-	412,139	251,658	219,190	-	882,987
Total assets	\$ 260,381	\$ 1,198,925	\$ 322,993	\$ 253,794	\$ 53,012	\$ 2,089,105

SEE NOTES TO THE FINANCIAL STATEMENTS

SOURIS BASIN PLANNING COUNCIL
BALANCE SHEET – GOVERNMENTAL FUNDS - CONTINUED
DECEMBER 31, 2020

LIABILITIES AND FUND BALANCES	Major Funds					Total Governmental Funds
	General	Revolving Loan Fund	Intermediary Relending Program	Business Accelerator Fund	Resiliency Fund	
LIABILITIES						
Accounts payable	\$ 4,514	\$ -	\$ -	\$ -	\$ -	\$ 4,514
Due to other funds	-	5,374	2,633	112	15,319	23,438
Accrued Liabilities	-	-	1,450	-	-	1,450
Unearned Revenue	-	-	-	30,374	37,693	68,067
Total liabilities	4,514	5,374	4,083	30,486	53,012	97,469
FUND BALANCES						
Nonspendable	3,319	709,283	279,082	219,190	-	1,210,874
Spendable						
Unassigned	252,548	-	-	-	-	252,548
Restricted						
Loan program	-	484,268	16,293	4,118	-	504,679
Loan loss reserve and debt service	-	-	23,535	-	-	23,535
Total fund balances	255,867	1,193,551	318,910	223,308	-	1,991,636
Total liabilities and fund balances	\$ 260,381	\$ 1,198,925	\$ 322,993	\$ 253,794	\$ 53,012	\$ 2,089,105

SEE NOTES TO THE FINANCIAL STATEMENTS

SOURIS BASIN PLANNING COUNCIL
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2021

Total Governmental Funds Balance	\$3,454,868
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Cost of capital assets	7,448	
Less accumulated depreciation	(4,812)	
Net capital assets		2,636

Long-term liabilities applicable to the Council's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.

Compensated absences payable	8,950	
Capital lease obligation	2,701	
Long-term liabilities		(11,651)

Net Position of Governmental Activities	\$3,445,853
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SEE NOTES TO THE FINANCIAL STATEMENTS

SOURIS BASIN PLANNING COUNCIL
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2020

Total Governmental Funds Balance	\$ 1,991,636
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Total net position reported for governmental activities in the statement of net position is difference because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Cost of capital assets	7,448	
Less accumulated depreciation	(3,323)	
Net capital assets		4,125

Long-term liabilities applicable to the Council's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.

Compensated absences payable	13,549	
USDA Rural Development debt	204,860	
Capital lease obligation	4,083	
Long-term liabilities		(222,492)

Net Position of Governmental Activities	\$ 1,773,269
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SEE NOTES TO THE FINANCIAL STATEMENTS

SOURIS BASIN PLANNING COUNCIL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Major Funds				
	General	Impact Fund	Business Accelerator Fund	Resiliency Fund	Total Funds
REVENUES					
Federal sources					
Grant income	\$ 466,689	\$ -	\$ 388,541	\$ 1,156,707	\$ 2,011,937
Project administration income	127,604	-	-	-	127,604
Joint powers agreements	69,971	-	-	-	69,971
Partnership income	10,137	-	-	-	10,137
Project income	172,227	-	-	-	172,227
Membership dues	4,900	-	-	-	4,900
Interest income	1,889	462	20	7	2,378
Miscellaneous income	16,520	1,172	-	16,131	33,823
Interest on loans	-	61,930	21,031	3,930	86,891
Fees income	13,810	-	-	-	13,810
Proceeds on disposal	2,500	-	-	-	2,500
Total revenues	886,247	63,564	409,592	1,176,775	2,536,178
EXPENDITURES					
Current:					
Administrative expense	-	37,372	20	34,101	71,493
Project expenses	589,331	-	-	-	589,331
Meeting/Summit expense	18,636	-	-	-	18,636
Miscellaneous	2,336	690	3,577	16,297	22,900
Indirect	131,385	-	-	-	131,385
Bad debts	-	32,541	-	-	32,541
Loan program expenses	-	256	500	180	936
Total current expenditures	741,688	70,859	4,097	50,578	867,222
Debt service:					
Rural Development - interest	-	864	-	-	864
Rural Development - principal	-	204,860	-	-	204,860
Total debt service expenditures	-	205,724	-	-	205,724
Total expenditures	741,688	276,583	4,097	50,578	1,072,946
EXCESS REVENUE OVER (UNDER)					
EXPENDITURES	144,559	(213,019)	405,495	1,126,197	1,463,232
FUND BALANCE, BEGINNING OF YEAR	255,867	1,512,461	223,308	-	1,991,636
FUND BALANCE, END OF YEAR	\$ 400,426	\$ 1,299,442	\$ 628,803	\$ 1,126,197	\$ 3,454,868

SEE NOTES TO THE FINANCIAL STATEMENTS

SOURIS BASIN PLANNING COUNCIL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Major Funds					Total
	General	Revolving Loan Fund	Intermediary Relending Program	Business Accelerator Fund	Resiliency Fund	Governmental Funds
REVENUES						
Grant Income	\$ 328,098	\$ -	\$ -	\$ 163,865	\$ 25,225	\$ 517,188
Project administration income	125,669	-	-	-	-	125,669
Joint powers agreements	66,829	-	-	-	-	66,829
Project income	65,176	-	-	-	-	65,176
Partnership income	43,495	-	-	-	-	43,495
Mileage assessments	5,250	-	-	-	-	5,250
Interest income	1,419	4,521	366	1,559	-	7,865
Miscellaneous income	22,034	60	100	452	-	22,646
Interest on loans	-	47,584	15,553	4,230	-	67,367
Fees income	7,490	-	-	-	-	7,490
Total revenues	665,460	52,165	16,019	170,106	25,225	928,975
EXPENDITURES						
Current:						
Salaries	144,835	-	-	-	-	144,835
Administrative expense	12,892	22,798	8,327	1,559	25,225	70,801
Project expenses	307,911	-	-	-	-	307,911
Miscellaneous	3,421	226	189	-	-	3,836
Indirect	108,196	-	-	-	-	108,196
Bad debts	-	109,379	160	-	-	109,539
Total current expenditures	577,255	132,403	8,676	1,559	25,225	745,118
Debt service:						
Rural Development - interest	-	-	3,412	-	-	3,412
Rural Development - principal	-	-	175,528	-	-	175,528
Total debt service expenditures	-	-	178,940	-	-	178,940
Total expenditures	577,255	132,403	187,616	1,559	25,225	924,058
EXCESS REVENUE OVER (UNDER)						
EXPENDITURES	88,205	(80,238)	(171,597)	168,547	-	4,917
FUND BALANCE, BEGINNING OF YEAR	167,662	1,273,789	490,507	54,761	-	1,986,719
FUND BALANCE, END OF YEAR	<u>\$ 255,867</u>	<u>\$ 1,193,551</u>	<u>\$ 318,910</u>	<u>\$ 223,308</u>	<u>\$ -</u>	<u>\$ 1,991,636</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

SOURIS BASIN PLANNING COUNCIL
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF
ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

Net Change in Fund Balances - Total Governmental Funds	\$ 1,463,232
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The change in net position reported for governmental activities in the statement of activities is different because:

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds. The amount of depreciation expense for the current year is:	(1,489)
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Payment of principal on debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The amount of principal paid on USDA Rural Development debt is:	204,860
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Payment of principal on capital lease obligations payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The amount of principal paid on capital lease obligations payable is:	1,382
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The change in compensated absences payable does not provide or use current financial resources and therefore, is not reported in the governmental funds. The amount of the change is:	<div style="border-top: 1px solid black; display: inline-block;">4,599</div>
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Total Change in Net Position of Governmental Activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block;">\$ 1,672,584</div>
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SEE NOTES TO THE FINANCIAL STATEMENTS

SOURIS BASIN PLANNING COUNCIL
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF
ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

Net Change in Fund Balances - Total Governmental Funds	\$	4,917
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The change in net position reported for governmental activities in the statement of activities is different because:

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds. The amount of depreciation expense for the current year is:		(1,489)
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Payment of principal on debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The amount of principal paid on USDA Rural Development debt is:		175,528
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Governmental funds report the entire net sales price from the sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold by:		2,500
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Payment of principal on capital lease obligations payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The amount of principal paid on capital lease obligations payable is:		1,321
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Gain on disposal of assets is considered general revenue in the government-wide statement of activities and changes in net position, but it does not require the use of current financial resources. Therefore, gain on disposal of assets is not reported as revenue in the governmental funds. The amount of gain on sale of assets for the current year is:		(2,500)
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The change in compensated absences payable does not provide or use current financial resources and therefore, is not reported in the governmental funds. The amount of the change is:		(2,559)
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Total Change in Net Position of Governmental Activities	\$	177,718
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SEE NOTES TO THE FINANCIAL STATEMENTS

SOURIS BASIN PLANNING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Souris Basin Planning Council ("the Council") operates as an entity under Chapter 54-40 of the North Dakota Century Code. The financial statements of the Council have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governments. As described in Note 1, the Council has implemented the financial reporting model as required by the provisions of GASB 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The powers and duties of regional councils set out in NDCC 54-40.1-04 provide that a regional council shall:

1. Adopt agreements, rules or procedures, as may be necessary to effectuate planning and development in the region.
2. Coordinate planning and development within the regions for all matters of regional concern as determined by the regional council, including land use, social and economic planning, economic development, transportation, health, environmental quality, water and sewage, solid waste, flood relief, parks and open spaces, hospitals, and public buildings.
3. Participate with other public agencies and private organizations in regard to research for planning activities relevant to the region.
4. For the purpose of coordination, work with state departments, agencies, and institutions in reviewing and commenting on all plans and federal aid applications as to their impact on the region.
5. Develop guidelines for the coordination of land use plans and ordinances within the region.
6. Prepare a regional comprehensive plan and upon the preparation of such a plan or any phase, amendment, revision, extension, addition, functional part, or part thereof, file such plan, phase, functional part, amendment, revision, extension, addition, or part thereof with the office, all local planning agencies within the region, and other planning agencies in adjoining areas.
7. Develop an annual budget for operations during a fiscal year.
8. Receive and expand federal, state, and local funds, and contract for services with units of general local government and private individuals and organizations, consistent with the scope and objectives of planning and development functions.
9. Upon availability of funds, hire an executive director who must be given full control over the staff of the regional council. The executive director shall act as a liaison between the regional council and the staff of the regional council and shall advise and assist the regional council in the selection of staff.

SOURIS BASIN PLANNING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

10. Provide technical assistance for primary sector business development by leveraging local funds to assist in product development, product testing, business plan development, feasibility studies, gaining patent protection, legal services, market strategy development, and other needs to stimulate business development.
11. Host business outreach forums to stimulate entrepreneurship and interchange with potential investment and forums on other matters of importance to the local area.
12. Upon request, facilitate the financing of local economic development activities, such as interest buy down programs and local revolving loan fund programs, without regard to the fiscal source.
13. Act as a regional development corporation as provided by the individual regional council's bylaws.
14. Have the authority to purchase, own, and manage real property for the purpose of the business incubator and regional council administrative functions.

Following is a summary of the more significant policies:

Reporting Entity

The Council's policy is to include in the financial statements all funds, departments, agencies, boards, commissions, and other component units for which the Council is considered to be financially accountable.

Component units are legally separated entities for which the Council (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit or is fiscally dependent upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the Council and the Council is not includable as a component unit within another reporting entity.

Basis of Presentation

The government-wide financial statements (i.e. the statement of net position and the statement of activities) display information about the reporting government as a whole. These statements include all the financial activities of the Council. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through intergovernmental revenues, and other nonexchange transactions.

SOURIS BASIN PLANNING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are those benefiting more than one function and include administrative and supporting services. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

The Council reports the following major governmental funds for 2021 and 2020:

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.

Impact Fund – The Impact Fund provides loans to entities through local funds and former federal programs that have been defederalized (Revolving Loan Fund and Intermediary Relending Program Funds noted below). As loans are repaid, the revolved funds are available to be borrowed again.

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

Revolving Loan Fund – The Revolving Loan Fund was established to provide loans to entities through federal and donated funds. As loans are repaid, the revolved funds are available to be borrowed again. This program was defederalized during 2021 and included in the Impact Fund.

Intermediary Relending Program Fund – The Intermediary Relending Program provides loans to entities through a federal loan and local match. As loans are repaid, the revolved funds are available to be borrowed again. This program was defederalized during 2021 and included in the Impact Fund.

Resiliency Fund – The Resiliency Fund was established to provide loans to entities through federal funds. As loans are repaid, the revolved funds are available to be borrowed again.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

SOURIS BASIN PLANNING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

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

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

Cash and Investments/Deposits

Cash includes amounts in demand deposits and money market accounts. The Council has no investments. Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or secured with pledges of securities equal to 110% of the uninsured balance. The Council has not adopted a policy limiting the amount that can be invested with any one issuer.

State statutes authorize the Council to invest in: (1) bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the Treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress; (2) securities sold under agreements to repurchase, written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above; (3) certificates of deposit fully insured by the federal deposit insurance corporation or by the state; (4) obligations of the state.

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

Restricted Cash

Restricted cash reported as a non-current asset in the Statement of Net Position in 2020 is restricted for use as loan loss reserves and debt service reserves under the Intermediary Relending Program. All are federal programs. This program was defederalized in 2021.

SOURIS BASIN PLANNING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

Capital Assets

Capital assets include equipment and furniture. Assets are reported in the governmental activities column in the government-wide financial statements. Equipment is defined by the Council as assets with a cost of \$500 or more. Assets are recorded at cost if purchased and at acquisition value if donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Equipment is depreciated using the straight-line method with the following estimated useful lives:

Office Equipment and Software 5 years

Notes Receivable and Allowance for Bad Debts

Notes receivable represent funds advanced to borrowers under various federal and local programs and an internally operated loan program. The loans are generally collateralized by one or more of the following: Inventory, real property, equipment and personal guarantees.

Loans are stated at unpaid principal balances, less an allowance for loan losses. The allowance for loan losses is estimated based on the Council's anticipated uncollectible balances based on historical write-offs and the financial stability of its clients. The Council is required by USDA to establish a loan loss reserve for the IRP loans and these are reported as restricted fund balances. Notes considered uncollectible are liquidated and any amount remaining is charged-off.

Interest income on notes receivable is recorded as earned. Interest stops accruing once a note receivable is considered non-collectible. Payments received on loans in nonaccrual status are applied to the outstanding accrued interest balance until such balance is fully paid at which time the payments are applied to principal and current interest balances and the loan resumes accrual of interest.

Accounts Receivable

Accounts receivable are carried at original invoice amount less a reserve estimate made for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and using historical experience applied to an aging of accounts. Management has determined that no allowance for doubtful accounts is necessary. Accounts receivable are written off when deemed to be uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

SOURIS BASIN PLANNING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

Compensated Absences

Employees accrue vacation hours monthly based on years of service. Vacation may be accrued to a maximum of 240 hours. Upon separation of employment, eligible employees will receive payment for accrued hours at their current pay rate.

Unearned Revenue

Unearned revenue consists of grant funds received from the granting agency to be disbursed to approved loan applicants.

Indirect Costs

The Council allocates indirect costs using a formal Indirect Cost Distribution Plan. The plan allocates indirect costs to programs based on each program's percentage of direct salary and benefits to total salary and benefits.

Advertising Costs

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

Tax-Exempt Status

The Council is exempt from Federal Income Taxes under the Internal Revenue Code Section 501(c)(4) and from payment of state income taxes under Section 57-38-09 of the North Dakota Century Code. All appropriate federal and state filings are up to date.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

SOURIS BASIN PLANNING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

Fund Balance Classifications

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form; or (b) legally or contractually required to be maintained intact. Nonspendable fund balance is comprised of amounts reported in nonspendable form such as prepaid expenses and amounts legally or contractually required to be maintained intact, such as notes receivable.

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

Restricted – consists of amounts related to (a) externally imposed constraints established by creditors, grantors, contributors; or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

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

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

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

When both restricted and unrestricted resources are available for use, it is the Council's policy to first use restricted resources, and then use unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the Council's policy to use resources in the following order; 1) committed, 2) assigned and 3) unassigned.

NOTE 2 DEPOSITS

At December 31, 2021, the Council held deposits at multiple financial institutions in the local area. The deposits are covered by Federal Depository Insurance up to \$250,000 per financial institution. The Council was also collateralized with securities held by the pledging financial institutions' agents in case their deposits grew larger than the FDIC coverage. Management periodically reviews the pledges of securities. As of December 31, 2021 and 2020, approximately \$370,000 and \$518,000, respectively, of the Council's deposits were not fully covered by FDIC insurance; however, the Council did have adequate pledged securities to cover 110% of the amount in excess of FDIC insurance in accordance with the North Dakota Century Code.

SOURIS BASIN PLANNING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

NOTE 3 NOTES RECEIVABLE

Souris Basin Planning Council provides loans to businesses and local governments in its region for start-up, expansion and capital improvements. The Council's notes receivable balance consisted of the following as of December 31, 2021:

Impact Fund Relending Programs

loans bearing interest from 2.50% to 6.70%, with maturity dates ranging from 2022 through 2033 secured with personal guarantees, inventory, property and equipment.	\$ 890,765
Less: current portion	(272,045)
Total long-term portion of Impact Fund notes receivable	<u>618,720</u>
Less: Allowance for uncollectable accounts	(156,140)
Total long-term portion of Impact Fund notes receivable, net	<u>462,580</u>

Business Accelerator Fund

loans bearing interest from 1.00% to 3.20%, with maturity dates of 2024 to 2032 secured with personal guarantees, inventory, property and equipment.	607,620
Less: current portion	<u>-</u>
Total long-term portion of Business Accelerator Fund notes receivable	607,620

Resiliency Fund

loans bearing interest of 1.00%, with maturity dates ranging from 2024 through 2041 secured with personal guarantees, inventory, property and equipment.	1,106,331
Less: current portion	(108,087)
Total long-term portion of Resiliency Fund notes receivable	<u>998,244</u>
Total long-term notes receivable, net	<u><u>\$ 2,068,444</u></u>

SOURIS BASIN PLANNING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

The Council's notes receivable balance consisted of the following as of December 31, 2020:

Intermediary Relending Program

loans bearing interest from 4.90% to 5.70%, with maturity dates ranging from 2022 through 2025, secured with personal guarantees, inventory, property, and equipment.	\$ 279,082
Less: current portion of notes receivable	<u>(50,959)</u>
Total long-term IRP notes receivable	228,123
Less: allowance for doubtful accounts	<u>-</u>
Total long-term IRP notes receivable, net	<u>228,123</u>

Revolving Loan Fund

loans bearing interest from 4.00% to 6.20%, with maturity dates ranging from 2020 through 2025, secured with personal guarantees, inventory, property and equipment.	832,883
Less: current portion of notes receivable	<u>(297,144)</u>
Total long-term RLF notes receivable	535,739
Less: allowance for doubtful accounts	<u>(123,600)</u>
Total long-term RLF notes receivable, net	<u>412,139</u>

Business Accelerator Fund

loans bearing interest of 2.40%, maturing on March 1, 2025, secured with personal guarantees, inventory, property and equipment.	219,190
Less: current portion of notes receivable	<u>-</u>
Total long-term BAF notes receivable	219,190
Less: allowance for doubtful accounts	<u>-</u>
Total long-term BAF notes receivable, net	<u>219,190</u>
Total long-term notes receivable, net	<u><u>\$ 859,452</u></u>

Revolving Loan Fund – The Revolving Loan Fund (RLF) was established to provide loans to entities through federal and donated funds. The RLF fund was defederalized during 2021 and the funds were included in the Impact Fund.

SOURIS BASIN PLANNING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

Intermediary Relending Programs – The Intermediary Relending Program (IRP) provides loans to entities through a federal loan and local match. In 2001, the Council received a second federal loan (IRP #2). The Council is ultimately responsible for the assets and liabilities of the IRP program. A financing statement has been filed for all assets generated from the program and all security interests pledged to the Council by the recipients of loans. The IRP program was defederalized in 2021 and the funds were included in the Impact Fund.

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

Resiliency Fund – The Resiliency Fund was established to provide loans to entities through federal funds received from the EDA.

Since inception, the RLF has written off \$362,981. There have been no write-offs on the Intermediary Relending Program (IRP) or Business Accelerator Fund (BAF) loans since inception of the programs. An allowance of \$123,600 for bad debts had been established to account for potential uncollectible accounts for the Revolving Loan Fund (RLF), Intermediary Relending Program (IRP), Business Accelerator (BAF) loans as of December 31, 2020. During the fiscal year ending December 31, 2021 the Council combined the defederalized RLF and IRP programs to establish the Impact Fund. The Impact Fund had an allowance of \$156,141 for bad debts as of December 31, 2021. Management believes the estimated allowance is adequate.

The following table presents information data by class of financing receivable regarding their age and interest accrual status at December 31, 2021:

Past Due					Total Financing Receivables on Nonaccrual Status
	30 - 59 Days	60 - 89 Days	> 90 Days	Total Past Due	
Impact Fund	\$ -	\$ -	\$ 137,545	\$ 137,545	\$ 33,078
BAF	-	-	-	-	-
Resiliency	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137,545</u>	<u>\$ 137,545</u>	<u>\$ 33,078</u>

The following table presents information data by class of financing receivable regarding their age and interest accrual status at December 31, 2020:

Past Due					Total Financing Receivables on Nonaccrual Status
	30 - 59 Days	60 - 89 Days	> 90 Days	Total Past Due	
RLF	\$ -	\$ -	\$ 123,554	\$ 123,554	\$ -
IRP	-	-	-	-	-
BAF	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,554</u>	<u>\$ 123,554</u>	<u>\$ -</u>

SOURIS BASIN PLANNING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

NOTE 4 LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ending December 31, 2021 is as follows:

	Balance 1/1/2021	Increases	Decreases	Balance 12/31/2021	Due Within One Year
IRP #2 & #3 USDA note payable **	\$ 204,860	\$ -	\$ (204,860)	\$ -	\$ -
Compensated absences*	13,549	-	(4,599)	8,950	-
Capital lease obligation	4,083	-	(1,382)	2,701	1,445
Total long-term liabilities	<u>\$ 222,492</u>	<u>\$ -</u>	<u>\$ (210,841)</u>	<u>\$ 11,651</u>	<u>\$ 1,445</u>

Changes in long-term liabilities for the year ending December 31, 2020 is as follows:

	Balance 1/1/2020	Increases	Decreases	Balance 12/31/2020	Due Within One Year
IRP #1 USDA note payable	\$ 157,195	\$ -	\$ (157,195)	\$ -	\$ -
IRP #2 & #3 USDA note payable **	223,193	-	(18,333)	204,860	18,516
Compensated absences*	10,990	2,559	-	13,549	-
Capital lease obligation	5,404	-	(1,321)	4,083	1,382
Total long-term liabilities	<u>\$ 396,782</u>	<u>\$ 2,559</u>	<u>\$ (176,849)</u>	<u>\$ 222,492</u>	<u>\$ 19,898</u>

*The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

**Notes are payable to USDA Rural Development with a 1% interest rate, due in installments of \$20,565, including interest through June 2031, at which time the balance is due. The notes are secured by notes receivables of the IRP fund. This note is paid out of the IRP fund.

Compensated absences will be paid by the general fund.

Interest paid on the USDA Rural Development loans was \$864 and \$3,412 for the years ended December 31, 2021 and 2020, respectively.

SOURIS BASIN PLANNING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

NOTE 5 NOTES PAYABLE

Notes payable are comprised of the following:

	<u>2021</u>	<u>2020</u>
\$500,000, 1.00% IRP #2 & #3 note payable to USDA Rural Development, due in annual installments of \$20,565, including interest through June 2031, at which time the balance is due, secured by notes receivable with a carrying value of \$279,082. This loan was paid off during 2021.	\$ -	\$ 204,860
	-	204,860
Less: current maturities included in long-term debt	-	(18,516)
Total notes payable, net of current portion	<u>\$ -</u>	<u>\$ 186,344</u>

As of December 31, 2020, notes payable was expected to mature as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 18,516	\$ 2,049	\$ 20,565
2022	18,701	1,863	20,564
2023	18,889	1,676	20,565
2024	19,077	1,488	20,565
2025	19,268	1,297	20,565
2026-2030	99,270	3,555	102,825
2031-2035	11,139	111	11,250
	<u>\$ 204,860</u>	<u>\$ 12,039</u>	<u>\$ 216,899</u>

NOTE 6 CAPITAL ASSETS

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

	<u>Balance 1/1/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2021</u>
Office equipment and software	\$ 7,448	\$ -	\$ -	\$ 7,448
Accumulated depreciation	(3,323)	(1,489)	-	(4,812)
Governmental capital assets, net	<u>\$ 4,125</u>	<u>\$ (1,489)</u>	<u>\$ -</u>	<u>\$ 2,636</u>

Following is a summary of changes in capital assets for the year ended December 31, 2020:

SOURIS BASIN PLANNING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

	Balance 1/1/2020	Additions	Deletions	Balance 12/31/2020
Office equipment and software	\$ 15,513	\$ -	\$ (8,065)	\$ 7,448
Accumulated depreciation	(9,899)	(1,489)	8,065	(3,323)
Governmental capital assets, net	<u>\$ 5,614</u>	<u>\$ (1,489)</u>	<u>\$ -</u>	<u>\$ 4,125</u>

Depreciation expense of \$1,489 was charged to the economic development program on the statement of activities during 2021 and 2020.

NOTE 7 RESTRICTED NET POSITION/RESTRICTED FUND BALANCES

The restricted net position and restricted fund balances are the result of the revolving loan fund, intermediary relending program, and the business accelerator fund and resiliency fund. The IRP program has requirements for funds to be restricted for bad debts and debt service. The remaining funds are to continue being loaned under the provisions of each of the loan programs.

NOTE 8 NONSPENDABLE FUND BALANCE

Nonspendable fund balances are comprised of the following as of December 31, 2021:

	General Fund	Impact Fund	Business Accelerator	Resiliency Fund	Total Governmental Fund
Prepaid expenses	\$ 1,678	\$ -	\$ -	\$ -	\$ 1,678
Current portion of notes receivable	-	272,045	-	108,087	380,132
Notes receivable, net of current portion	-	618,720	607,620	998,244	2,224,584
Allowance for uncollectible accounts	-	(156,140)	-	-	(156,140)
	<u>\$ 1,678</u>	<u>\$ 734,625</u>	<u>\$ 607,620</u>	<u>\$ 1,106,331</u>	<u>\$ 2,450,254</u>

Nonspendable fund balances are comprised of the following as of December 31, 2020:

	General Fund	Revolving Loan Fund	Intermediary Relending Program	Business Accelerator Fund	Resiliency Fund	Total Governmental Fund
Prepaid expenses	\$ 3,319	\$ -	\$ -	\$ -	\$ -	\$ 3,319
Current portion of notes receivable	-	297,144	50,959	-	-	348,103
Notes receivable, net of current portion	-	535,739	228,123	219,190	-	983,052
Allowance for uncollectible accounts	-	(123,600)	-	-	-	(123,600)
	<u>\$ 3,319</u>	<u>\$ 709,283</u>	<u>\$ 279,082</u>	<u>\$ 219,190</u>	<u>\$ -</u>	<u>\$ 1,210,874</u>

SOURIS BASIN PLANNING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

NOTE 9 RISK MANAGEMENT

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

NOTE 10 LEASES

On August 2, 2020, the Council entered into a ten-year lease for office space, which is to expire in July 2030. The new lease requires rent of \$2,625 per month for the first year of the lease with the price increasing by 2% each following year until the end of the lease. Total rent expense paid in 2021 and 2020 was \$31,765 and 31,691, respectively.

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

2022	\$	32,401
2023		33,047
2024		33,707
2025		34,377
2026		35,066
2027-2030		<u>131,428</u>
Total	\$	<u><u>300,026</u></u>

In November 2018, the Council leased a digital copier under a capital lease which expires November 1, 2023. The asset and liability under the capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The asset is amortized over the lower of its related lease terms or its estimated productive life. Amortization of the asset under the capital lease is included in depreciation expense for 2021 and 2020.

The following is a summary of equipment held under capital lease for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Capitalized copier	\$ 6,873	\$ 6,873
Less: accumulated amortization	<u>(4,353)</u>	<u>(2,978)</u>
Capitalized copier, net	<u><u>\$ 2,520</u></u>	<u><u>\$ 3,895</u></u>

SOURIS BASIN PLANNING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

The lease calls for monthly payments of \$128. A summary of future minimum lease payments is as follows:

Year ending December 31,	Gross Payments	Interest	Net Payments
2022	\$ 1,536	\$ 91	\$ 1,445
2023	1,280	24	1,256
	<u>\$ 2,816</u>	<u>\$ 115</u>	<u>\$ 2,701</u>

NOTE 11 DUE TO/FROM OTHER FUNDS

Amounts recorded as Due to/from other funds relate to cash paid out of one fund for expenses of another fund. During the year ended December 31, 2021, the Council had receivables for amounts due from other funds of \$28,808 in the General fund and \$3,327 in the Business Accelerator fund, of which \$14,523 was due from the Resiliency fund and \$17,612 was due from the Impact fund. During the year ended December 31, 2020, the Council had receivables for amounts due from other funds of \$23,438 in the General fund, of which \$15,319 was due from the Resiliency fund, \$112 was due from the Business Accelerator fund, \$2,633 was due from the Intermediary Relending program, and \$5,374 was due from the Revolving Loan fund.

NOTE 12 RETIREMENT PLAN

The Council participates in a simple investment retirement account (Simple IRA) plan, which is administered by American Funds. In order to participate in the plan, employees must complete the probation period and earn at least \$5,000 in annual compensation with the Council. Once the employee achieves eligibility, the employee may choose to contribute to the Plan not to exceed an annual contribution of \$13,000. Employees 50 years or older may contribute an additional \$3,000. All employee contributions are deducted from compensation before taxes are assessed. The Council will match employee contributions dollar for dollar up to 3% of the employee's compensation. All contributions are 100% vested immediately. During the years ended December 31, 2021 and 2020, the Council contributed \$8,061 and \$7,251 in employer matching contributions, respectively.

NOTE 13 FUTURE GASB PRONOUNCEMENTS

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

SOURIS BASIN PLANNING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

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

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

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

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

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

SOURIS BASIN PLANNING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

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

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

SOURIS BASIN PLANNING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021 AND 2020

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

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

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

NOTE 14 SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Federal, state and local governments have since implemented various restrictions on travel, public gatherings, and business operations. While the Council has been allowed to remain open, the restrictions and government social distancing recommendations have dramatically impacted the businesses who owe the Council monthly principal and interest payments as part of the Revolving Loan Fund, Intermediary Relending Program and the Business Accelerator Fund. While the Council expects this matter to negatively impact its results of operations and financial condition, the extent of the impact is uncertain.

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

SINGLE AUDIT INFORMATION

Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

Board of Directors
Souris Basin Planning Council
Minot, North Dakota

We have audited, 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, the financial statements of the governmental activities and each major fund of the Council as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated June 6, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) as a basis for designing 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as item 2021-002.

The Council's Response to Findings

The Council's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Casey Peterson, LTD

Casey Peterson, LTD

Rapid City, South Dakota

June 6, 2023

Independent Auditor's Report on Compliance for
Each Major Program and Report on Internal Control
over Compliance Required by the Uniform Guidance

Board of Directors
Souris Basin Planning Council
Minot, North Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Souris Basin Planning Council (the Council)'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Council's major federal programs for the years ended December 31, 2021 and 2020. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Council complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended December 31, 2021 and 2020.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Council's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Council's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Council's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Council's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Council's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Council's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Council's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Casey Peterson, LTD

Casey Peterson, LTD

Rapid City, South Dakota

June 6, 2023

**Souris Basin Planning Council
Schedule of Findings and Questioned Costs
December 31, 2021 and 2020**

SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

- a. The Independent Auditor's Report expresses a qualified opinion on the General Fund, Impact Fund, Business Accelerator Fund, and Resiliency Fund and an unmodified opinion on the government-wide financial statements of Souris Basin Planning Council as of and for the year ended December 31, 2021.

The Independent Auditor's Report expresses a qualified opinion on the General Fund, Revolving Loan Fund, Intermediary Relending Program, and Business Accelerator Fund and unmodified opinions on the Resiliency Fund and government-wide financial statements of Souris Basin Planning Council as of and for the year ended December 31, 2020.

- b. *Material weaknesses in internal control relating to the audit of the financial statements are reported* in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- c. Noncompliance material to the financial statements, which is required to be reported in accordance with *Government Auditing Standards*, is reported within this schedule.
- d. The independent auditor's report on compliance for the major federal award programs for Souris Basin Planning Council expresses an unmodified opinion on all major federal programs.
- e. No significant deficiencies or material weaknesses in internal control related to major federal programs are reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance.
- f. No noncompliance related to major federal programs is reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance.
- g. No audit findings required to be reported in accordance with 2 CFR section 200.516(a) are reported within this schedule.
- h. The federal award program tested as a major program was:
Economic Development Cluster:
AL #11.307 Economic Adjustment Assistance
- i. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- j. Souris Basin Planning Council did not qualify as a low-risk auditee.

**Souris Basin Planning Council
Schedule of Findings and Questioned Costs
December 31, 2021 and 2020**

FINDINGS - FINANCIAL STATEMENT AUDIT

Material Weakness

Internal Control over Financial Reporting

Material Adjustments Proposed

2021-001 *Condition:* The Council lacks an appropriate system of internal control to ensure accounts are reconciled to underlying documentation and transactions are recorded in accordance with Generally Accepted Accounting Principles and expenditures are accurately reported on the Schedule of Expenditures of Federal Awards. Errors identified in the Schedule of Expenditures of Federal Awards did not impact major program compliance. The Council's budget format differs from the classification in the funds and does not reconcile to the financial statements. In addition, we noted inconsistencies in recording and improper classification of various loan program revenues and expenses between funds.

Criteria: Reconciliations of all accounts should be performed, and appropriate entries should be made by the accountant and reviewed by a member of management capable of identifying errors. The revenue and expense classification inconsistencies included coding to incorrect funds as well as incorrect classification of revenues and expenses.

Cause: The Council did not properly reconcile various major accounts for 2020 and 2021. Year-end reconciliations were performed by the third-party accountant but were not reviewed for accuracy and agreement to the underlying records. In addition, multiple coding errors were made and loan activity was not reconciled to the underlying supporting documentation and loan management software.

Effect: Material adjustments were proposed to correct account balances for the years ended 2020 and 2021. Adjustments were proposed to correct cash, accounts receivable, notes receivable, accrued interest receivable, due to/due from other funds, accounts payable, unearned revenue, pass-through liabilities, fund balance/net position, revenue, and expense in governmental funds and government-wide statements. Adjustments were proposed to correct coding errors across funds; however, sufficient assurance could not be obtained that remaining items are properly classified. There is a possibility errors may exist that were not identified or corrected.

Repeat of Prior Finding: This finding was partially reported in the prior year as 2019-001.

Auditor's Recommendation: It is important to reconcile subsidiary ledgers or supporting schedules to the general ledger for each fund to ensure the accuracy of financial information and minimize the risk of misstatement. We recommend that management establish a standard policy for classifying revenues and expenses to appropriate funds and programs. We recommend management implement a policy whereby all subsidiary ledgers and/or supporting schedules are reconciled to the general ledger on a monthly basis and at year-end. We also recommend that appropriate management-level personnel review the reconciliations prepared by the third-party accountant for accuracy. Management personnel should document evidence of their review for audit purposes.

View of Management: Management agrees with the finding. A response can be found in the Corrective Action Plan.

Souris Basin Planning Council

Schedule of Findings and Questioned Costs

December 31, 2021 and 2020

Material Weakness and Noncompliance
Internal Control over Financial Reporting
Delinquent Single Audit

2021-002 *Condition:* The audit was not completed and the Data Collection Form and reporting package were not submitted within the required timeframe.

Criteria: 2 CFR § 200.512 requires that the audit must be completed and the data collection form and reporting package must be submitted either 30 calendar days after the receipt of the auditor's report or nine months after the end of the audit period, whichever is earlier.

Cause: The Organization experienced turnover, causing delays in preparing for the audit. The delays resulted in the Council not meeting the required timeframe for filing the annual reporting package and data collection form.

Effect: The Council is not in compliance with federal regulations.

Repeat of Prior Finding: No.

Auditor's Recommendation: The delay in issuing the audited financial statements and subsequently filing the Data Collection Form within nine months past the fiscal year-end was due to staff turnover and the Council being unprepared for the audit. We recommend management monitor the filing deadlines for future periods requiring a single audit.

View of Management: Management agrees with the finding. A response can be found in the Corrective Action Plan.

FINDINGS - MAJOR FEDERAL PROGRAMS AUDIT

None reported.



SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

FINDINGS - FINANCIAL STATEMENTS AUDIT

Material Weakness

Preparation of Financial Statements and Journal Entries

2019-001 *Condition:* The Council's personnel prepare periodic financial information for internal use that meets the needs of management and the Board of Directors. However, the Council does not identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements required by GAAP for external reporting. The Council is aware of this deficiency and obtains the auditor's assistance in adjusting the general ledger in accordance with GAAP and the preparation of the Council's annual financial statements.

Criteria: The Council should identify all journal entries required to maintain a general ledger and prepare the full-disclosure financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP).

Auditor's Recommendation: Accounting personnel will need to determine the proper balance in each general ledger account prior to audit. We recommend that the entity reviews its current training system to determine if it is cost-effective for the entity to obtain this knowledge internally. In addition, as a compensating control, the Council should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Repeat Finding: This is a repeat finding. The finding was previously reported as 2018-001 and 2018-002.

Current Status: The portion of the finding related to financial statement preparation has been resolved. The portion of the finding related to material adjustments proposed is reported in the current year as 2021-001.

FINDINGS AND QUESTION COSTS - MAJOR FEDERAL PROGRAM AUDIT

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



CORRECTIVE ACTION PLAN (UNAUDITED)

Souris Basin Planning Council respectfully submits the following Corrective Action Plan for the years ended December 31, 2021 and 2020.

Name and address of independent public accounting firm:

Casey Peterson, LTD
909 Saint Joseph Street, Ste 101
Rapid City, South Dakota 57701

The findings from the December 31, 2021 and 2020 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in that schedule. Briselda Hernandez, Executive Director of Souris Basin Planning Council, (701) 255-1982, is responsible for the corrective actions disclosed within this document.

FINDINGS - FINANCIAL STATEMENT AUDIT

Material Weakness

Internal Control over Financial Reporting

Material Adjustments Proposed

2021-001 *Condition:* The Council lacks an appropriate system of internal control to ensure accounts are reconciled to underlying documentation and transactions are recorded in accordance with Generally Accepted Accounting Principles and expenditures are accurately reported on the Schedule of Expenditures of Federal Awards. Errors identified in the Schedule of Expenditures of Federal Awards did not impact major program compliance. The Council's budget format differs from the classification in the funds and does not reconcile to the financial statements. In addition, we noted inconsistencies in recording and improper classification of various loan program revenues and expenses between funds.

Criteria: Reconciliations of all accounts should be performed, and appropriate entries should be made by the accountant and reviewed by a member of management capable of identifying errors. The revenue and expense classification inconsistencies included coding to incorrect funds as well as incorrect classification of revenues and expenses.

Repeat of Prior Finding: This finding was partially reported in the prior year as 2019-001.

Auditor's Recommendation: It is important to reconcile subsidiary ledgers or supporting schedules to the general ledger for each fund to ensure the accuracy of financial information and minimize the risk of misstatement. We recommend that management establish a standard policy for classifying revenues and expenses to appropriate funds and programs. We recommend management implement a policy whereby all subsidiary ledgers and/or supporting schedules are reconciled to the general ledger on a monthly basis and at year-end. We also recommend that appropriate management-level personnel review the reconciliations prepared by the third-party accountant for accuracy. Management personnel should document evidence of their review for audit purposes.



CORRECTIVE ACTION PLAN (UNAUDITED) (CONTINUED)

Management's Response: In July 2021, Souris Basin Planning Council (SBPC) contracted with Brady Martz & Associates PC (Brady Martz) to provide professional financial services, including accounting assistance and advisory services. In April 2022, SBPC expanded its contract to include support for its loan programs, including bank reconciliations. Brady Martz conducts bank reconciliations and reviews all financial statements monthly. The Program & Finance Manager and Executive Director review statements monthly and initial bank reconciliations. The Council Chairperson and Treasurer review and initial bank reconciliations. Brady Martz and SBPC hold monthly meetings to discuss financials.

Anticipated Completion Date: SBPC will continue to work with Brady Martz as long as it remains cost-effective.

Material Weakness and Noncompliance
Internal Control over Financial Reporting
Delinquent Single Audit

2021-002 *Condition:* The audit was not completed and the Data Collection Form and reporting package were not submitted within the required timeframe.

Criteria: 2 CFR § 200.512 requires that the audit must be completed and the data collection form and reporting package must be submitted either 30 calendar days after the receipt of the auditor's report or nine months after the end of the audit period, whichever is earlier.

Repeat of Prior Finding: No.

Auditor's Recommendation: The delay in issuing the audited financial statements and subsequently filing the Data Collection Form within nine months past the fiscal year-end was due to staff turnover and the Council being unprepared for the audit. We recommend management monitor the filing deadlines for future periods requiring a single audit.

Management's Response: Future audits will be conducted earlier so the reporting deadline can be met. Additionally, Brady Martz will provide audit support to ensure SBPC is prepared beforehand and during the audit.

Anticipated Completion Date: SBPC will continue to work with Brady Martz as long as it remains cost-effective.

SOURIS BASIN PLANNING COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Federal Grantor/Program or Cluster Title	Identifying Pass-Through Grant Number	Federal AL Number	Federal Expenditures		
			2021	2020	Total
<u>U.S. Department of Commerce, Economic Development</u>					
Economic Development Cluster					
Economic Adjustment Assistance - Revolving Loan Fund		11.307	\$ 1,027,129	\$ 989,832	\$2,016,961
COVID-19 Economic Adjustment Assistance - Resiliency Fund (CARES)		11.307	1,144,525	37,693	1,182,218
COVID-19 Economic Adjustment Assistance - EDA Cares Grant		11.307	189,235	100,000	289,235
Total Economic Development Cluster			<u>2,360,889</u>	<u>1,127,525</u>	<u>3,488,414</u>
Economic Development Support for Planning Organizations		11.302	<u>70,000</u>	<u>70,000</u>	<u>140,000</u>
Total U.S. Department of Commerce			<u>2,430,889</u>	<u>1,197,525</u>	<u>3,628,414</u>
<u>Department of Housing and Urban Development</u>					
Community Development Block Grant		14.228	-	7,643	7,643
Total Department of Housing and Urban Development			<u>-</u>	<u>7,643</u>	<u>7,643</u>
<u>Corporation for National and Community Service</u>					
Passed through ND Department of Commerce					
AmeriCorps State and National	18AFHND001	94.006	115,469	43,872	159,341
Americorps Volunteers In Service to America	Unknown	94.013	9,714	-	9,714
Total Corporation for National and Community Service			<u>125,183</u>	<u>43,872</u>	<u>169,055</u>
<u>United States Department of Agriculture, Rural Development</u>					
Intermediary Relending Program		10.767	204,860	380,388	585,248
Rural Housing Preservation Grants		10.433	61,983	73,883	135,866
Total United States Department of Agriculture			<u>266,843</u>	<u>454,271</u>	<u>721,114</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$ 2,822,915</u>	<u>\$ 1,703,311</u>	<u>\$4,526,226</u>

SEE NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SOURIS BASIN PLANNING COUNCIL
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the schedule of expenditures of federal awards (the "Schedule") are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 2 INDIRECT COST RATE

The Council has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Souris Basin Planning Council under programs of the federal government for the year ended December 31, 2021 and 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Souris Basin Planning Council, it is not intended to and does not present the financial statements of the governmental activities, each major fund, and remaining fund information of Souris Basin Planning Council.

NOTE 4 OUTSTANDING LOANS

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

Intermediary Relending Program	Federal AL Number	Beginning Balance	Ending Balance
For the year ended:			
December 31, 2020	10.767	\$ 380,388	\$ 204,860
December 31, 2021	10.767	204,860	-

SOURIS BASIN PLANNING COUNCIL
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 5 LOAN PROGRAMS

The Council manages three federal loan programs, the Resiliency Fund (EDA), the Revolving Loan Fund (EDA) and the Intermediary Relending Program (USDA). Federal expenditures for the Intermediary Relending Program is the outstanding loan balance as of year-end, which is listed in Note 4 above. The following is the calculation of the federal expenditures for the Revolving Loan Fund for the year ended December 31, 2020:

End of year loan balances	\$ 832,884
End of year cash balances	479,044
Current year loans written off	-
Current year administrative expenses	22,805
Total expenditures	<u>1,334,733</u>
Federal percentage	<u>74.16%</u>
Total federal expenditures	<u><u>\$ 989,838</u></u>

The following is the calculation of the federal expenditures for the Revolving Loan Fund for the year ended December 31, 2021:

Loan balances as of 5-11-21 when defederalized	\$ 885,959
Cash balance as of 5-11-21 when defederalized	485,060
Current year loans written off	-
Admin expenses as of 5-11-21 when defederalized	13,998
Total expenditures	<u>1,385,017</u>
Federal percentage	<u>74.16%</u>
Total federal expenditures	<u><u>\$ 1,027,129</u></u>

The following is the calculation of the federal expenditures of the Resiliency Fund Revolving Loan Fund for the years ended December 31, 2020 and 2021:

	<u>2020</u>	<u>2021</u>
End of year loan balances	\$ -	\$ 1,106,331
End of year cash balances	37,693	20,386
Current year loans written off	-	-
Current year administrative expenses	-	17,808
Total expenditures	<u>37,693</u>	<u>1,144,525</u>
Federal percentage	<u>100.00%</u>	<u>100.00%</u>
Total federal expenditures	<u><u>\$ 37,693</u></u>	<u><u>\$ 1,144,525</u></u>

SOURIS BASIN PLANNING COUNCIL
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 6 FEDERAL PORTION OF GRANT INCOME CALCULATION

The Council received funds from multiple agencies which were comprised of both federal and non-federal dollars. The calculation of the federal amounts of funding for proper presentation in the schedule of expenditures of federal awards are as follows:

Grant Income	2020	2021
Scoring and Ranking grant	\$ 7,643	\$ -
EDA Planning grant	70,000	70,000
EDA Cares grant	100,000	189,235
Rural Housing Preservation grant	73,883	61,983
AmeriCorps State and National	43,872	115,469
Americorps Volunteers In Service to America	-	9,714
Federal portion of grant income	<u>295,398</u>	<u>446,401</u>
Non-federal portion of grant income	32,700	20,288
Total grant income	<u><u>\$ 328,098</u></u>	<u><u>\$ 466,689</u></u>

NOTE 7 RECONCILIATION OF SEFA SCHEDULE TO FINANCIAL STATEMENTS

The following schedule ties the total amount of federal awards as stated on the SEFA schedule to the financial statements:

	2020	2021
Federal portion of Grant Income as stated in SEFA footnote 6	\$ 295,398	\$ 446,401
Balance of IRP loan as stated in SEFA footnote 4	380,388	204,860
Federal expenditures of Revolving Loan Fund as calculated in SEFA footnote 5	989,832	1,027,129
Federal expenditures of RLF Resiliency Cares Funds calculated in SEFA footnote 5	37,693	1,144,525
Total federal awards as stated on the SEFA schedule	<u><u>\$ 1,703,311</u></u>	<u><u>\$ 2,822,915</u></u>