

**LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
MANDAN, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Lewis and Clark Regional Development Council (a nonprofit organization) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Lewis and Clark Regional Development Council as of September 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Lewis and Clark Regional Development Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of a Matter

As discussed in Note 16 to the financial statements, certain errors related to the reporting of nonspendable fund balances as deferred inflows of resources were discovered during the current year audit. Accordingly, such amounts have been restated as of June 30, 2022 to correct the errors. Our opinion is not modified with respect to these errors.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Lewis and Clark Regional Development Council's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards 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 Lewis and Clark Regional Development Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lewis and Clark Regional Development Council's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule for the general fund as listed in the table of contents 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lewis and Clark Regional Development Council's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2023, on our consideration of the Lewis and Clark Regional Development Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lewis and Clark Regional Development Council's internal control over financial reporting and compliance.



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

December 5, 2023

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

ASSETS

Cash and cash equivalents	\$ 6,642,037
Receivables	
Accounts receivable	4,084
Loans, net of allowance for loan loss	16,551,831
Interest receivable	139,425
Due from related parties	4,516,439
Capital assets, net of depreciation	235
Right-to-use assets, net of amortization	111,201
Total assets	<u>27,965,252</u>

LIABILITIES

Accounts payable	6,872
Escrow payable	472,768
Accrued liabilities	69,573
Unearned revenue	1,563
Interest payable	1,594
Due to other governments	11,743,888
Accrued leave	72,502
Lease liability	115,210
Notes payable	1,162,838
Total liabilities	<u>13,646,808</u>

NET POSITION

Net investment in capital and leased assets	(3,774)
Restricted for lending activities	12,613,547
Unrestricted	1,708,671
Total net position	<u>\$ 14,318,444</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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	\$ 900,969	\$ 834,578	\$ 8,818,831	\$ 8,752,440
Interest	12,247	-	-	(12,247)
Total governmental activities	<u>\$ 913,216</u>	<u>\$ 834,578</u>	<u>\$ 8,818,831</u>	<u>8,740,193</u>
General revenues				
County member contributions				150,985
Interest income on cash deposits				111,390
Total general revenues				<u>262,375</u>
Change in net position				9,002,568
Net position, October 1, 2022				5,315,876
Net position, September 30, 2023				<u><u>\$ 14,318,444</u></u>

SEE NOTES TO THE FINANCIAL STATEMENTS

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

ASSETS	Major Funds		Total Governmental Funds
	General	Revolving Loan Fund	
Cash and cash equivalents	\$ 627,418	\$ 6,014,619	\$ 6,642,037
Receivables			
Loans, net of allowance for loan loss of \$1,101,000	-	16,551,831	16,551,831
Interest receivable	99	139,326	139,425
Other receivables	-	4,084	4,084
Due from related parties	4,516,439	-	4,516,439
Due from other funds	39,852	-	39,852
Total assets	<u>\$ 5,183,808</u>	<u>\$ 22,709,860</u>	<u>\$ 27,893,668</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 6,872	\$ -	\$ 6,872
Escrow payable	-	472,768	472,768
Accrued liabilities	69,573	-	69,573
Unearned revenue	-	1,563	1,563
Due to other funds	-	39,852	39,852
Due to other governments	3,326,190	8,417,698	11,743,888
Total liabilities	<u>3,402,635</u>	<u>8,931,881</u>	<u>12,334,516</u>
FUND BALANCES			
Restricted			
Lending activities	-	13,777,979	13,777,979
Non spendable	1,110,000	-	1,110,000
Unassigned	671,173	-	671,173
Total fund balances	<u>1,781,173</u>	<u>13,777,979</u>	<u>15,559,152</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,183,808</u>	<u>\$ 22,709,860</u>	<u>\$ 27,893,668</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

Total Governmental Funds Balance	\$ 15,559,152
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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	9,790	
Less accumulated depreciation	(9,555)	
Net capital assets	235	235

Right-to-use assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Cost of right-to-use assets	150,449	
Less accumulated amortization	(39,248)	
Net right-to-use assets	111,201	111,201

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.

Accrued leave	(72,502)	
Interest payable	(1,594)	
Lease liability	(115,210)	
Note payable - Community Works ND	(15,000)	
Note payable - ND Development Fund	(37,500)	
Note payable - Rural Development	(1,110,338)	
Long-term liabilities	(1,352,144)	(1,352,144)

Net Position of Governmental Activities	\$ 14,318,444
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SEE NOTES TO THE FINANCIAL STATEMENTS

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Major Funds			
	General	Community Development and Planning Fund	Revolving Loan Fund	Total Governmental Funds
REVENUES				
Grant Income	\$ -	\$ 70,000	\$ 8,748,833	\$ 8,818,833
Interest income	7,501	-	588,299	595,800
Services rendered and other	329,450	-	20,719	350,169
County member contributions	133,485	17,500	-	150,985
Note income	5,000	-	-	5,000
Total revenues	475,436	87,500	9,357,851	9,920,787
EXPENDITURES				
Economic development	420,999	111,076	342,154	874,229
Debt service				
Interest	5,022	-	12,247	17,269
Principal	17,718	-	90,020	107,738
Total expenditures	443,739	111,076	444,421	999,236
EXCESS REVENUE OVER (UNDER)				
EXPENDITURES	31,697	(23,576)	8,913,430	8,921,551
OTHER FINANCING SOURCES (USES)				
Transfer in	134,084	23,576	-	157,660
Transfer out	-	-	(157,660)	(157,660)
Total other financing sources (uses)	134,084	23,576	(157,660)	-
CHANGE IN FUND BALANCE	165,781	-	8,755,770	8,921,551
FUND BALANCE, BEGINNING OF YEAR	505,392	-	5,022,209	5,527,601
Prior period adjustment, see Note 16	1,110,000	-	-	1,110,000
FUND BALANCE, BEGINNING OF YEAR AS RESTATED	1,615,392	-	5,022,209	6,637,601
FUND BALANCE, END OF YEAR	\$ 1,781,173	\$ -	\$ 13,777,979	\$ 15,559,152

SEE NOTES TO THE FINANCIAL STATEMENTS

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Net Change in Fund Balances - Total Governmental Funds	\$8,921,551
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The changes in net position reported for governmental activities in the statement of activities is different because:

Government funds report principle receipts on debt service as revenues; whereas, the statement of activities does not consider this as a revenue.	(5,000)
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Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expenses.

Depreciation expense	(307)
Amortization expense	(19,624)

Governmental funds report principal payments on debt service as expenditures; whereas, the statement of activities does not consider this as an expense.

Principal payments on notes payable	90,020
Principal payments on lease liability	17,718

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net decrease in compensated absences	(1,927)
Net increase in interest payable	137

Total Net Position of Governmental Activities	\$9,002,568
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SEE NOTES TO THE FINANCIAL STATEMENTS

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

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

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

Reporting Entity

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

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

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

Basis of Presentation

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

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2023

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

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

The Council reports the following major governmental funds:

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2023

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

Budgets

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

Cash and Cash Equivalents

Cash includes amounts in demand deposits and money market accounts. Cash equivalents include deposits in highly liquid investments with an original maturity of three months or less. Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or secured with pledges of securities equal to 110% of the uninsured balance.

State statutes authorize the Council to invest in: (1) bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the Treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress; (2) securities sold under agreements to repurchase, written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above; (3) certificates of deposit fully insured by the federal deposit insurance corporation or by the state; (4) obligations of the state. In accordance with North Dakota statutes, the Council maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

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

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2023

Capital Assets

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

Furniture and Equipment	10-15 years
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Leases

The determination of whether an arrangement contains a lease is made at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the Council has control of the right to use asset. Control includes the right to obtain present service capacity and the right to determine the nature and manner of use of the underlying asset, as specified in the contract.

Leases with an initial lease term of more than 12 months, or that contain an option to purchase that the Council is reasonably certain to exercise, are recognized based on the present value of lease payments over the lease term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the Council uses its incremental borrowing rate based on the information available at the lease commencement date. The Council has made an accounting policy election to use a risk free rate based on US Treasury T-Bill rate as of the lease commencement. The Council accounts for lease agreements with lease and non-lease components together as a single lease component for all underlying classes of assets.

The Council continues to record rent expense for short term leases on a straight-line basis over the lease term. Short term leases have a term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Council are reasonably certain to exercise.

The amortizable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

The Council's lease agreements do not include any material residual value guarantees or restrictive covenants.

Loans Receivable and Allowance for Loan Losses

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

Loans are stated at unpaid principal balances, less an allowance for loan losses. The allowance for loan losses is estimated based on the Council's anticipated uncollectible balances based on credit risk and the financial stability of its clients. An allowance of \$1,101,000 for bad debts has been established to account for potential uncollectible accounts for the Revolving Loan Funds.

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2023

Management believes the estimated allowance for the RLF is adequate. Notes considered uncollectible are liquidated and any amount remaining is charged-off.

A loan is considered impaired when, based on current information and events, it is probable that the Council will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of delay, the reasons for the delay, the borrower's prior payment record, and amount of the shortfall in relation to the principal and interest owed. As of September 30, 2023, loans with a balance of \$865,874 were considered impaired.

Interest income on notes receivable is recorded as earned. Interest stops accruing once a note receivable is considered non-collectible.

Accounts Receivable

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

Accrued Leave

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

Unearned Revenue

Unearned revenue is derived from prepaid county dues received and grant revenue that has been received in advance but not fully expended as of September 30, 2023.

Allocation of Costs

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

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

Advertising Costs

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

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2023

Concentration of Credit Risk

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

Tax-Exempt Status

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

Use of Estimates

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

Net Position

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

Fund Balance Classifications

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

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

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

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2023

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

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

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

When both restricted and unrestricted resources are available for use, it is the Council's policy to first use restricted resources, and then use unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the Council's policy to use resources in the following order; 1) committed, 2) assigned and 3) unassigned, unless the Council’s Board of Directors has provided otherwise in its commitment or assignment actions.

NOTE 2 DEPOSITS

At September 30, 2023, the Council held deposits at Bravera Bank. The deposits are covered by Federal Depository Insurance up to \$250,000. The Council was also collateralized with pledged securities held at Bravera Bank. As of September 30, 2023, approximately \$5,500,000 of the Council’s deposits were not fully covered by FDIC insurance; however, the Council did have adequate pledged securities to cover 110% of the amount in excess of FDIC insurance in accordance with the North Dakota Century Code.

NOTE 3 TRANSFERS IN/OUT

<u>Transfers</u>	<u>General Fund</u>	<u>Community Development and Planning Fund</u>	<u>Revolving Loan Fund</u>
Transfer in	\$ 134,084	\$ 43,939	\$ -
Transfer out	<u>-</u>	<u>-</u>	<u>(157,660)</u>
Total transfers	<u>\$ 134,084</u>	<u>\$ 43,939</u>	<u>\$ (157,660)</u>

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

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2023

NOTE 4 LOANS RECEIVABLE

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

The Council had the following loans receivable under the special revenue fund as of September 30, 2023:

Intermediary Relending Program	
Loans bearing interest from 4.00% to 5.75%, with maturity dates ranging from September 2024 to April 2031, secured with personal guarantees, inventory, property, and equipment.	\$ 101,784
Intermediary Relending Program II	
Loans bearing interest from 5.25% to 5.50%, with maturity dates ranging from May 2025 to June 2034, secured with personal guarantees, inventory, property, and equipment.	122,552
Intermediary Relending Program - Mandan	
Loans bearing interest from 2.00% to 6.50%, with maturity dates ranging from May 2022 to November 2027, secured with personal guarantees, inventory, property, and equipment.	280,679
Intermediary Relending Program II - Mandan	
Loans bearing interest from 2.00% to 6.00%, with maturity dates ranging from June 2022 to April 2030, secured with personal guarantees, inventory, property, and equipment.	504,921
Revolving Loan Fund	
Loans bearing interest from 2.00% to 7.00%, with maturity dates ranging from November 2021 to May 2036, secured with personal guarantees, inventory, property, and equipment.	154,846
Recap Revolving Loan Fund	
Loans bearing interest from 2.00% to 5.50%, with maturity dates ranging from 2020 through 2025, secured with personal guarantees, inventory, property, and equipment.	28,384

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2023

CARES Revolving Loan Fund

Loans bearing interest from 4.00% to 4.75%, with maturity dates ranging from May 2022 to May 2028, secured with personal guarantees, inventory, property, and equipment. \$ 837,808

State Small Business Credit Initiative

Loans bearing interest from 2.00% to 7.00%, with maturity dates ranging from February 2022 to July 2039, secured with personal guarantees, inventory, property and equipment. 6,998,024

Meat and Poultry Intermediary Relending Program

loans bearing interest of 4% with maturity dates ranging from February 2022 to July 2039, secured with personal guarantees, inventory, property and equipment 8,623,833

Total notes receivable	17,652,831
Less allowance for loan loss	<u>(1,101,000)</u>
Total loans receivable, net of allowance	<u><u>\$16,551,831</u></u>

The Council has established an allowance for bad debts of \$1,101,000 for the Revolving Loan Funds as of September 30, 2023.

The following table presents information date by class of financing receivable regarding their age and interest accrual status at September 30, 2023:

	Past Due				Total Financing Receivables on Nonaccrual Status
	30 - 59 Days	60 - 89 Days	> 90 Days	Total Past Due	
Loans receivable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239,164</u>	<u>\$ 239,164</u>	<u>\$ 865,874</u>

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2023

NOTE 5 DUE FROM / TO OTHER FUNDS

Due from/to other funds consisted of the following at September 30, 2023:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General	\$ 39,852	\$ -
Revolving Loan Fund	-	39,852
Total all funds	<u>\$ 39,852</u>	<u>\$ 39,852</u>

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

NOTE 6 DUE TO OTHER GOVERNMENTS

As of September 30, 2023, the Council had a liability of \$8,417,698 payable to SSBCI Consortium. Per the agreement, if/when the Consortium ends, the assets would be distributed to all members, with 10% kept by Lewis and Clark Regional Development Council. Therefore, the liability is calculated at 90% of total assets of the SSBCI. The Council also had a liability of \$3,326,190 payable to the North Dakota Housing Finance Agency (NDHFA). Lewis and Clark Regional Development Council acts as a passthrough for this loan between NDHFA and CWND (a related party). The loan is non-interest bearing with payments due June 1 of each year based upon net cash flows of the project. Upon maturity, the remaining outstanding principal balance will be forgiven.

NOTE 7 NOTES PAYABLE

Notes payable are comprised of the following:

1.00% note payable to USDA Rural Development, due in annual amortized installments through June 2025, at which time the balance is due, secured by notes receivable.	\$ 40,772
1.00% note payable to USDA Rural Development, due in annual amortized installments through June 2035, at which time the balance is due, secured by notes receivable.	214,928

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2023

1.00% note payable to USDA Rural Development, due in annual amortized installments through September 2037, at which time the balance is due, secured by notes receivable. \$ 400,844

1.00% note payable to USDA Rural Development, due in annual amortized installments through September 2039, at which time the balance is due, secured by notes receivable. 453,794

1.00% unsecured note payable to North Dakota Development Fund, due in annual installments through April 2027, at which time the balance is due. 37,500

0.00% unsecured note payable to CommunityWorks North Dakota, with \$10,000 due in full in April 2035 and \$5,000 due in full in December 2037. 15,000

\$ 1,162,838

Notes payable are expected to mature as follows:

<u>Year ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 90,758	\$ 10,572	\$ 101,330
2025	90,918	11,481	102,399
2026	71,511	9,663	81,174
2027	109,726	8,948	118,674
2028	72,947	8,227	81,174
2029-2033	375,829	29,291	405,120
2034-2038	290,629	13,097	303,726
2039	60,520	908	61,428
	<u>\$ 1,162,838</u>	<u>\$ 92,187</u>	<u>\$ 1,255,025</u>

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2023

NOTE 8 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended September 30, 2023:

	Balance 10/1/2022	Additions	Deletions	Balance 9/30/2023
Furniture and equipment	\$ 9,790	\$ -	\$ -	\$ 9,790
Accumulated depreciation	(9,248)	(307)	-	(9,555)
Capital assets, net	<u>\$ 542</u>	<u>\$ (307)</u>	<u>\$ -</u>	<u>\$ 235</u>

Depreciation expense of \$307 was charged to the economic development program on the statement of activities during 2023.

NOTE 9 RESTRICTED NET POSITION/RESTRICTED FUND BALANCES

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

NOTE 10 RISK MANAGEMENT

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council pays an annual premium to Cincinnati Insurance Companies for its general insurance coverage. The coverage by Cincinnati Insurance Companies is limited to losses of \$1,000,000 per occurrence. The Council carries commercial insurance for all other risks of loss of \$1,000,000 per occurrence.

The Council also participates in the State Bonding Fund. The State Bonding Fund currently provides the Council with blanket fidelity bond coverage in the amount of \$1,070,541 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

NOTE 11 LEASES

The Council leases office space in Mandan, North Dakota. The term of the lease is for a period of 20 years, terminating May 31, 2029 with an annual rent payment of a base amount of \$900 plus a pro rata share of operating expenses for the building of an amount to be agreed upon each year. During the year ended September 30, 2023 the pro rata share of building expenses was \$1,000 bringing the total rent payment to \$1,900 per month.

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2023

Following is the total lease expense for the year ended September 30, 2023:

Lease expense	
Amortization expense by class of underlying asset	
Building	\$ 19,624
Total amortization expense	<u>19,624</u>
Interest on lease liabilities	<u>5,022</u>
Total	<u><u>\$ 24,646</u></u>

Following is a schedule of activity in leased assets for the year ended September 30, 2023:

	Beginning of Year	Additions	Modifications & Remeasurements	Subtractions	End of Year
Right-to-use Assets					
Office space	\$ 150,449	\$ -	\$ -	\$ -	\$ 150,449
Less: Accumulated Amortization					
Office space	(19,624)	(19,624)	-	-	(39,248)
Total Right -to-use Assets, net	<u>\$ 130,825</u>	<u>\$ (19,624)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,201</u>

Following is a schedule of activity in the lease liability for the year ended September 30, 2023:

	Beginning of Year	Increases	Decreases	End of Year	Current Portion
Lease liability	<u>\$ 132,928</u>	<u>\$ -</u>	<u>\$ (17,718)</u>	<u>\$ 115,210</u>	<u>\$ 18,453</u>

Following is a schedule of future minimum rental payments required under the lease for the years ended September 30:

	Principal	Interest	Total Payments
2024	\$ 18,453	\$ 4,347	\$ 22,800
2025	19,218	3,582	22,800
2026	20,015	2,785	22,800
2027	20,845	1,955	22,800
2028	21,709	1,091	22,800
2029-2032	14,970	229	15,200
Total Future Payments	<u>\$ 115,210</u>	<u>\$ 13,989</u>	<u>\$ 129,200</u>

NOTE 12 RETIREMENT PLAN

The Council has a Simplified Employee Pension Plan through Mutual of America. It is a fully-vested, defined contribution plan with the Council contributing the same percentage of compensation for every employee, limited annually to the smaller of \$41,000 or 10% of compensation. Employees over 21 years old who have been employed in at least one of the immediately preceding five years are eligible to participate in the plan. The Council is only responsible for current contributions. The amount of pension expense for the year ended September 30, 2023 totaled \$44,450.

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2023

NOTE 13 RELATED PARTY

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

Shared expenses with CommunityWorks North Dakota consist of telephone, postage, supplies, equipment, employees, and the executive director. Each entity is responsible for paying its own share of these expenses, except for payroll costs, which are reimbursed. Payments made to CommunityWorks North Dakota for reimbursed expenses during 2023 were \$57,997. The Council received payments of \$15,027 from CommunityWorks North Dakota for shared staff health benefits in 2023. As of September 30, 2023, the Council had accounts payable due to CommunityWorks North Dakota of \$4,460. The general fund had a \$68,309 loan receivable made to CommunityWorks North Dakota. The loan has a fixed rate of 2%, matures on June 1, 2029, and is secured by an assignment of leases. Principal and interest payments on the loan totaled \$11,198 and \$1,488 during fiscal year 2023, respectively. Also, as of September 30, 2023, the Council had accounts receivable due from CommunityWorks North Dakota of \$3,326,190. The receivable is non-interest bearing, matures on December 31, 2050, and is secured by a combination mortgage, assignment of rents, security agreement, and fixture financing statement. Interest and principal payments begin on June 1, 2022 and are based off of net cash flows.

As of September 30, 2023, the general fund has accounts receivable of \$12,975 due from Lewis & Clark Certified Development Company, a separate non-profit organization related through common management, for administrative expenses. The general fund also has a \$1,110,000 note receivable from the Lewis & Clark Certified Development Company for unpaid administrative expenses. The receivable is non-interest bearing, matures on October 1, 2033, and will be repaid when cash flows are deemed available.

NOTE 14 INDIRECT EXPENSES

Indirect (common) costs are costs incurred for a common, or joint, purpose which benefit more than one grant or program. The Council allocates indirect costs on the basis of a ratio of program direct salary and benefit costs to total salary and benefit costs on a monthly basis pursuant to Office of Management and Budget and Uniform Guidance. A detailed summary of the indirect costs for the year ended September 30, 2023 are as follows:

Salaries	\$ 39,577
Fringe Benefits	13,046
Professional	31,475
Equipment	9,364
Insurance	6,114
Travel	5,152
Supplies	1,678
Printing and publishing	597
Postage	1,140
Subscriptions	422
	<hr/>
	<u>\$ 108,565</u>

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2023

NOTE 15 FUTURE GASB PRONOUNCEMENTS

GASB Statement No. 99, *Omnibus 2022*, provides guidance on the following accounting matters:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, enhances the accounting and financial reporting requirements for accounting changes and error corrections. The standard is effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences through aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The standard is effective for fiscal years beginning after December 15, 2023.

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

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

NOTE 16 PRIOR PERIOD ADJUSTMENT

During the 2023 audit, it was determined that \$1,110,000 of nonspendable fund balance was incorrectly reported as deferred inflows of resources on the Balance Sheet – Governmental Funds. As such, adjustments were made to the Balance Sheet – Governmental Funds to reflect this adjustment. Deferred inflows of resources decreased and nonspendable fund balance increased by \$1,110,000.

NOTE 17 SUBSEQUENT EVENTS

No significant events occurred subsequent to the Council's year end. The Council has evaluated subsequent events through December 5, 2023, the date which these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Original/Final Budget	Actual	Variance with Final Budget	
REVENUES				
Grant Income	\$ 70,000	\$ 8,818,833	\$ 8,748,833	
Interest Income	574,725	595,800	21,075	
Services rendered and other	299,160	350,169	51,009	
Dues income	150,985	150,985	-	
Note income	-	5,000	5,000	
Total revenues	<u>1,094,870</u>	<u>9,920,787</u>	<u>8,825,917</u>	
EXPENDITURES				
Salaries	405,066	472,590	67,524	(1)
Fringe benefits	121,518	126,636	5,118	(1)
Travel	10,460	11,080	620	(2)
Printing and publications	800	-	(800)	
Supplies	2,480	3,476	996	(3)
Seminars and dues	20,020	22,988	2,968	(4)
Equipment	24,677	10,337	(14,340)	
Marketing	21,336	7,649	(13,687)	
Processing, closing fees	950	1,701	751	(5)
Indirect costs	197,763	108,565	(89,198)	
Bad debt expense	-	84,764	84,764	(6)
Interest	13,000	17,269	4,269	(7)
Professional fees	25,665	23,418	(2,247)	
Insurance	2,300	225	(2,075)	
Principal debt service	-	107,738	107,738	(8)
Depreciation expense	600	-	(600)	
Other	1,670	800	(870)	
Total expenditures	<u>848,305</u>	<u>999,236</u>	<u>150,931</u>	
EXCESS REVENUE OVER (UNDER)				
EXPENDITURES	<u>246,565</u>	<u>8,921,551</u>	<u>8,674,986</u>	
FUND BALANCE, BEGINNING OF YEAR	<u>5,527,601</u>	<u>5,527,601</u>	<u>-</u>	
FUND BALANCE, END OF YEAR	<u>\$ 5,774,166</u>	<u>\$ 14,449,152</u>	<u>\$ 8,674,986</u>	

SEE NOTE TO THE BUDGETARY COMPARISON SCHEDULE

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
NOTE TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 1 BUDGET

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

Actual revenues were \$8,820,917 more than budgeted and actual expenditures were \$150,931 more than budgeted.

- (1) The Council, with the addition of the Meat and Poultry Intermediary Lending Program, added one additional loan officer position.
- (2) The Council, with the addition of the Meat and Poultry Intermediary Lending Program, sent additional staff to training. The Council also increased marketing efforts which required more in-state travel.
- (3) The Council purchased computer equipment for the Meat and Poultry Intermediary Lending Program loan officer.
- (4) The Council purchased more webinar trainings for lending staff. The Council also purchased more training programs to train staff for new roles.
- (5) The Council had provided more loans than anticipated. Expenses increase based on amount of business owners and affiliated entities on a prospective loan.
- (6) The Council did not budget for bad debt expense incurred related to the loans receivable due to its annual variability and overall difficulty to budget.
- (7) The Council was required by GASB Statement No. 87, *Leases*, to record interest expense related to leases in the current year. This was not accounted for in the budget.
- (8) The Council did not budget for principal debt service expense incurred due to preparing the budget on the government-wide set of financial statements where debt payments reduce a liability instead of incurring an expense.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Lewis and Clark Regional Development Council as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise Lewis and Clark Regional Development Council's basic financial statements, and have issued our report thereon dated December 5, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lewis and Clark Regional Development Council's internal control over financial reporting (internal control) 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 Lewis and Clark Regional Development Council's internal control. Accordingly, we do not express an opinion on the effectiveness of Lewis and Clark Regional Development Council's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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



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

December 5, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Lewis and Clark Regional Development 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 Lewis and Clark Regional Development Council's major federal programs for the year ended September 30, 2023. Lewis and Clark Regional Development Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Lewis and Clark Regional Development Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2023.

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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 Lewis and Clark Regional Development 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 Lewis and Clark Regional Development Council's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with 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 Lewis and Clark Regional Development 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 Lewis and Clark Regional Development 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 generally accepted auditing standards, *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 Lewis and Clark Regional Development Council's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Lewis and Clark Regional Development 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 Lewis and Clark Regional Development 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 Lewis and Clark Regional Development 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 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.



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

December 5, 2023

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

<i>Federal Grantor/Program or Cluster Title</i>	<i>Identifying Pass-Through Grant Number</i>	<i>Federal Assistance Listing Number</i>	<i>Federal Expenditures</i>
U.S. DEPARTMENT OF COMMERCE			
Economic Development Support for Planning Organizations		11.302	\$ 70,000
Economic Adjustment Assistance - Revolving Loan Fund - CARES		11.307	<u>1,077,578</u>
Total U.S. Department of Commerce			<u>1,147,578</u>
U.S. DEPARTMENT OF AGRICULTURE			
Intermediary Relending Program		10.767	1,200,358
Meat and Poultry Intermediary Lending Program		10.382	<u>8,748,833</u>
Total U.S. Department of Agriculture			<u>9,949,191</u>
<i>Total Expenditures of Federal Awards</i>			<u><u>\$ 11,096,769</u></u>

SEE NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 INDIRECT COST RATE

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

NOTE 3 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Lewis and Clark Regional Development Council under programs of the federal government for the year ended September 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Lewis and Clark Regional Development Council, it is not intended to and does not present the financial position or change in net position of the Lewis and Clark Regional Development Council.

NOTE 4 INTERMEDIARY RELENDING PROGRAM

The Council manages the Intermediary Relending Program (USDA). The beginning balance of the outstanding loans for the current year are also included in the federal expenditures presented in the schedule due to ongoing compliance requirements.

	Federal Assistance Listing Number	Beginning Balance	Ending Balance
Intermediary Relending Program	10.767	\$ 1,200,358	\$ 1,110,338

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 5 REVOLVING LOAN FUND (EDA)

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

CARES RLF	
Loans receivable 9/30/23	\$ 837,808
Cash account balances	223,489
Administrative expenses (excludes bad debt)	16,281
Total expenditures	<u>1,077,578</u>
Federal percentage	100.00%
Total federal expenditures	<u><u>\$ 1,077,578</u></u>

NOTE 6 RECONCILIATION OF SEFA SCHEDULE TO FINANCIAL STATEMENTS

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

Per statement of revenue, expenditures, and changes
in fund balance-governmental funds:

Grant income of CDPF Fund	\$ 70,000
Grant income of RLF Fund	8,748,833
Balance of IRP loan as stated in SEFA Note 4	1,200,358
Balance of RLF as stated in SEFA Note 5	1,077,578
Total federal awards as stated on the SEFA schedule	<u><u>\$ 11,096,769</u></u>

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes x no

Significant Deficiency(ies) identified that are
not considered to be material weakness(es)? yes x none

Noncompliance material to financial
statements noted? yes x no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes x no

Significant Deficiency(ies) identified that are
not considered to be material weakness(es)? yes x none

Type of auditor's report issued on compliance
for major programs: Unmodified

Any audit findings disclosed that are
required to be reported in accordance with
the 2 CFR 200.516(a). yes x no

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Names of Federal Programs or Clusters</u>
10.767	Intermediary Relending Program
10.382	Meat and Poultry Intermediary Lending Program

Dollar threshold used to distinguish
between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? x yes no

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Section II – Financial Statement Findings

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

Section III – Federal Award Findings and Questioned Costs

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

LEWIS AND CLARK REGIONAL DEVELOPMENT COUNCIL
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

No prior year findings.