

AUDIT REPORT

ROOSEVELT-CUSTER REGIONAL COUNCIL
Bowman, North Dakota

For the Year Ended June 30, 2023

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

ROOSEVELT-CUSTER REGIONAL COUNCIL
Bowman, North Dakota

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**ROOSEVELT-CUSTER REGIONAL COUNCIL
Bowman, North Dakota**

Executive Committee Members

June 30, 2023

Josh Buchmann	Chairman
Troy Mosbrucker	Vice Chairman
Devon Laufer	Secretary
Anthony Larson	Treasurer
Shannon Ellig	Administrator
Shelby Kinkade	Finance Coordinator
Teran Doerr	Executive Director

Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA
Bryce Fischer, CPA
Todd Goehring, CPA

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Roosevelt-Custer Regional Council
Bowman, North Dakota

Report on the Audit of Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Roosevelt-Custer Regional Council, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the regional planning council's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 regional planning council, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with the 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 regional planning 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.

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 the regional planning 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 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 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 judgement 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 judgement 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 regional planning 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the regional planning 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 budgeting comparison information 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 of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2024 on our consideration of the regional planning 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 regional planning 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 regional planning council's internal control over financial reporting and compliance.



Rath and Mehrer, P.C.

Bismarck, North Dakota

March 29, 2024

ROOSEVELT-CUSTER REGIONAL COUNCIL
Bowman, North Dakota

Statement of Net Position
June 30, 2023

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash	1,277,887.89
Work in Progress	2,655.34
Intergovernmental Receivables	25,378.11
Notes Receivable	<u>55,411.42</u>
Total Assets	<u>1,361,332.76</u>
<u>LIABILITIES:</u>	
Accounts Payable	2,366.81
Payroll Liabilities Payable	519.20
Interest Payable	1,195.84
Long-Term Liabilities:	
Due Within One Year:	
Loans Payable	43,938.45
Due After One Year:	
Loans Payable	<u>86,569.68</u>
Total Liabilities	<u>134,589.98</u>
<u>NET POSITION:</u>	
Restricted for:	
Debt Service	82,945.50
Uncollectible Loans	11,782.00
Revolving Loan Funds	992,648.31
Unrestricted	<u>139,366.97</u>
Total Net Position	<u><u>1,226,742.78</u></u>

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

ROOSEVELT-CUSTER REGIONAL COUNCIL
Bowman, North Dakota

Statement of Activities
For the Year Ended June 30, 2023

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>				
General Administration	190,759.58	103,565.55	76,886.46	(10,307.57)
Loan Programs Administration	4,946.11	4,946.11		-
Interest on Long-Term Debt	1,341.34			(1,341.34)
Total Governmental Activities	197,047.03	108,511.66	76,886.46	(11,648.91)
 <u>General Revenues:</u>				
Loan interest payments				2,640.36
Earnings on investments and other revenue				8,845.36
Total General Revenues				11,485.72
Change in Net Position				(163.19)
Net Position - July 1				1,226,905.97
Net Position - June 30				1,226,742.78

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

ROOSEVELT-CUSTER REGIONAL COUNCIL
Bowman, North Dakota

Balance Sheet
Governmental Funds
June 30, 2023

	Major Funds			Total Governmental Funds
	General	IRP	RLF	
<u>ASSETS:</u>				
Cash	114,219.53	465,436.53	698,231.83	1,277,887.89
Work in Progress	2,655.34			2,655.34
Intergovernmental Receivables	25,378.11			25,378.11
Notes Receivable		6,844.65	48,566.77	55,411.42
Total Assets	142,252.98	472,281.18	746,798.60	1,361,332.76
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities:</u>				
Accounts Payable	2,366.81			2,366.81
Payroll Liabilities Payable	519.20			519.20
Total Liabilities	2,886.01	-	-	2,886.01
<u>Fund Balances:</u>				
Nonspendable:				
Notes Receivable		6,844.65	48,566.77	55,411.42
Restricted for:				
Debt Service		82,945.50		82,945.50
Uncollectible Loans		11,782.00		11,782.00
Revolving Loan Fund		370,709.03	698,231.83	1,068,940.86
Unassigned	139,366.97			139,366.97
Total Fund Balances	139,366.97	472,281.18	746,798.60	1,358,446.75
Total Liabilities and Fund Balances	142,252.98	472,281.18	746,798.60	1,361,332.76

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

ROOSEVELT-CUSTER REGIONAL COUNCIL
Bowman, North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2023

Total Fund Balances for Governmental Funds	1,358,446.75
Total net position reported for governmental activities in the statement of net position is different because:	
Long-term liabilities applicable to the regional planning council's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities -both current and long-term- are reported in the statement of net position. Balances at June 30, 2023 are:	
Loans Payable	(130,508.13)
Interest Payable	<u>(1,195.84)</u>
Total Long-Term Liabilities	<u>(131,703.97)</u>
Total Net Position of Governmental Activities	<u><u>1,226,742.78</u></u>

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

ROOSEVELT-CUSTER REGIONAL COUNCIL
Bowman, North Dakota

Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds
For the Year Ended June 30, 2023

	Major Funds			Total Governmental Funds
	General	IRP	RLF	
Revenues:				
Contributions and Charges for Services	76,740.00			76,740.00
CDBG Administration	26,825.55			26,825.55
Loan Funds Administration	4,946.11			4,946.11
Federal Grants	76,886.46			76,886.46
Miscellaneous	375.00		140.00	515.00
Loan Interest Payments		739.32	1,901.04	2,640.36
Interest Income	274.24	3,129.41	4,926.71	8,330.36
Total Revenues	186,047.36	3,868.73	6,967.75	196,883.84
Expenditures:				
Current:				
Contracted Services	93,600.00			93,600.00
Payroll Expenses	44,342.91			44,342.91
Professional Fees	1,464.37			1,464.37
Audit Fee	7,340.00			7,340.00
Office Supplies	8,370.83			8,370.83
Postage	149.11			149.11
Advertising and Marketing	7,005.73			7,005.73
Office Rent	12,000.00			12,000.00
Telephone	4,318.13			4,318.13
Meeting Expenses	1,261.77			1,261.77
Accounting	1,518.28			1,518.28
Dues	225.00			225.00
Travel	7,459.05			7,459.05
Insurance	640.62			640.62
Professional Development	1,000.00			1,000.00
Other	63.78			63.78
Administration		4,946.11		4,946.11
Debt Service:				
Principal		43,502.88		43,502.88
Interest		1,740.12		1,740.12
Total Expenditures	190,759.58	50,189.11	-	240,948.69
Net Change in Fund Balances	(4,712.22)	(46,320.38)	6,967.75	(44,064.85)
Fund Balance - July 1	144,079.19	518,601.56	739,830.85	1,402,511.60
Fund Balance - June 30	139,366.97	472,281.18	746,798.60	1,358,446.75

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

ROOSEVELT-CUSTER REGIONAL COUNCIL
Bowman, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds	(44,064.85)
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The change in net position reported for governmental activities in the statement of activities is different because:

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

Debt Proceeds	-	
Repayment of Debt	<u>43,502.88</u>	43,502.88

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

Net Decrease in Interest Payable	<u>398.78</u>
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Change in Net Position of Governmental Activities	<u><u>(163.19)</u></u>
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The accompanying notes are an integral part of these financial statements.

ROOSEVELT-CUSTER REGIONAL COUNCIL
Bowman, North Dakota

Notes to the Financial Statements
June 30, 2023

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

Based on these criteria, there are no component units to be included within Roosevelt-Custer Regional Council as a reporting entity.

B. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities display information about the primary government, Roosevelt-Custer Regional Council. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through intergovernmental revenues and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the regional planning council's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the regional planning council's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The regional planning council reports the following major governmental funds:

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

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

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

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

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The regional planning council considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

D. Cash

Cash includes amounts in demand deposits and money market accounts.

E. Long-Term Obligations

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

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

F. Fund Equity

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

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

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

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

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

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

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

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

- Committed
- Assigned
- Unassigned

Net Position – Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the regional planning council has not spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

G. Interfund Transactions

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

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

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

H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Note 2 DEPOSITS AND INVESTMENTS

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

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

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

At June 30, 2023 the regional planning council's carrying amount of deposits was \$1,277,888 and the bank balance was \$1,277,934. Of the bank balance, \$308,927 was covered by Federal Depository Insurance. The remaining balance of \$969,007 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

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

Concentration of Credit Risk

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

Note 3 WORK IN PROGRESS

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

Note 4 INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables consist of grant funding to be reimbursed by the Economic Development Administration (EDA) for expenses incurred by the regional council from April 2023 to June 2023 for a short-term planning grant; received subsequent to June 30, 2023.

Note 5 NOTES RECEIVABLE

Notes receivable consists of amount loaned under the Intermediary Relending Program (IRP) and the Revolving Loan Fund (RLF) to eligible businesses in rural areas. The following amounts are outstanding at June 30, 2023:

Intermediary Relending Programs

Intermediary Relending Program (IRP)

Killdeer Mountain Manufacturing	<u>6,844.65</u>
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Revolving Loan Fund

Killdeer Mountain Manufacturing	17,600.77
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Hope Homestead Bakery	<u>30,966.00</u>
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Total Revolving Loan Fund	<u>48,566.77</u>
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Grand Total Notes Receivable	<u><u>55,411.42</u></u>
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Note 6 ACCOUNTS PAYABLE

Accounts payable consists of amounts owed for supplies and materials and for services provided prior to June 30, 2023 and chargeable to the appropriations for the year then ended, but paid for subsequent to that date.

Note 7 PAYROLL LIABILITIES PAYABLE

Payroll liabilities payable consist of amounts withheld from the June payroll but paid subsequent to June 30, 2023.

Note 8 INTEREST PAYABLE

Interest payable consists of interest on long-term liabilities accrued to June 30, 2023.

Note 9 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the year ended June 30, 2023 the following changes occurred in liabilities reported in the long-term liabilities – Governmental Activities:

	<u>Balance July 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30</u>	<u>Due Within One Year</u>
Loans Payable	<u>174,011</u>	<u>-</u>	<u>43,503</u>	<u>130,508</u>	<u>43,938</u>

Outstanding debt at June 30, 2023 consists of the following:

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

Loans Payable. The regional planning council received two separate loans from USDA-Rural Development under the Intermediary Relending Program. These funds are then loaned to local businesses in rural areas to assist in obtaining low interest financing. Loans payable outstanding at June 30, 2023 are as follows:

Intermediary Relending Program #1

\$500,000 loan from USDA dated August 19, 1994.
Term of the loan is 30 years; interest is at 1%.

39,971.29

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

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2024	20,165.73	399.27
2025	19,805.56	153.62
Total	<u>39,971.29</u>	<u>552.89</u>

Intermediary Relending Program #2

\$600,000 loan from USDA dated August 21, 1996.
Term of the loan is 30 years; interest is at 1%.

90,536.84

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

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2024	23,772.72	905.28
2025	24,010.45	667.55
2026	24,250.55	427.45
2027	<u>18,503.12</u>	<u>175.81</u>
Total	<u>90,536.84</u>	<u>2,176.09</u>

Note 10 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The regional planning council pays an annual premium to NDIRF for its general liability insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability.

The regional planning council also participates in the State Bonding Fund. The State Bonding Fund currently provides the regional planning council with a blanket fidelity bond coverage in the amount of \$292,380 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The regional council has worker's compensation with the Department of Workforce and Insurance.

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

ROOSEVELT-CUSTER REGIONAL COUNCIL
Bowman, North Dakota

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2023

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Contributions and Charges for Services	76,740.00	76,740.00	-
CDBG Administration	63,218.00	26,825.55	(36,392.45)
Loan Funds Administration	7,000.00	4,946.11	(2,053.89)
Federal Grants	100,000.00	76,886.46	(23,113.54)
Miscellaneous	400.00	649.24	249.24
Total Revenues	247,358.00	186,047.36	(61,310.64)
<u>Expenditures:</u>			
Current:			
Contracted Services	93,600.00	93,600.00	-
Payroll Expenses	75,000.00	44,342.91	30,657.09
Professional Fees	1,500.00	1,464.37	35.63
Audit Fee	6,800.00	7,340.00	(540.00)
Office Supplies	6,156.00	8,370.83	(2,214.83)
Postage	325.00	149.11	175.89
Advertising and Marketing	3,000.00	7,005.73	(4,005.73)
Office Rent	12,000.00	12,000.00	-
Telephone	3,600.00	4,318.13	(718.13)
Public Notices	215.00		215.00
Meeting Expenses	22,500.00	1,261.77	21,238.23
Accounting	820.00	1,518.28	(698.28)
Dues	3,000.00	225.00	2,775.00
Travel	5,000.00	7,459.05	(2,459.05)
Insurance	1,800.00	640.62	1,159.38
Professional Development	1,000.00	1,000.00	-
Other		63.78	(63.78)
Total Expenditures	236,316.00	190,759.58	45,556.42
Net Change in Fund Balances	11,042.00	(4,712.22)	(15,754.22)
Fund Balance - July 1	144,079.19	144,079.19	
Fund Balance - June 30	155,121.19	139,366.97	(15,754.22)

ROOSEVELT-CUSTER REGIONAL COUNCIL
Bowman, North Dakota

Budgetary Comparison Schedule
Intermediary Relending Program Fund
For the Year Ended June 30, 2023

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Application Fees	1,000.00		(1,000.00)
Loan Interest Payments	8,930.04	739.32	(8,190.72)
Interest from Deposits	686.76	3,129.41	2,442.65
Total Revenues	10,616.80	3,868.73	(6,748.07)
<u>Expenditures:</u>			
Current:			
Administration	18,737.50	4,946.11	13,791.39
Debt Service:			
Principal	45,243.00	43,502.88	1,740.12
Interest	2,000.00	1,740.12	259.88
Total Expenditures	65,980.50	50,189.11	15,791.39
Net Change in Fund Balances	(55,363.70)	(46,320.38)	9,043.32
Fund Balance - July 1	518,601.56	518,601.56	
Fund Balance - June 30	463,237.86	472,281.18	9,043.32

ROOSEVELT-CUSTER REGIONAL COUNCIL
Bowman, North Dakota

Notes to the Budgetary Comparison Schedules
June 30, 2023

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

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

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

Note 2 LEGAL COMPLIANCE

The governing board did not amend the regional planning council's budget during the year ended June 30, 2023.

Rath & Mehrer, P.C.

Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

Governing Board
Roosevelt-Custer Regional Council
Bowman, 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 the Roosevelt-Custer Regional Council, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the regional planning council's basic financial statements, and have issued our report thereon dated March 29, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the regional planning 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 regional planning council's internal control. Accordingly, we do not express an opinion on the effectiveness of the regional planning council's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-001 and 2023-002, that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the regional planning council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Regional Planning Council's Response to Findings

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

Purpose of this Report

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



Rath and Mehrer, P.C.

Bismarck, North Dakota

March 29, 2024

ROOSEVELT-CUSTER REGIONAL COUNCIL
Bowman, North Dakota

Schedule of Findings and Responses
For the Year Ended June 30, 2023

SECTION I – SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:

Governmental Activities

Unmodified

Major Governmental Funds

Unmodified

Internal control over financial reporting:

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

SECTION II – FINANCIAL STATEMENT FINDINGS:

Significant Deficiencies

1. 2023-001 – Segregation of Duties

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

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

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

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

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

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

2. 2023-002- Financial Statement Preparation

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

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

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

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

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

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