

# **AUDIT REPORT**

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

**For the Year Ended June 30, 2018**

**RATH & MEHRER, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

ROOSEVELT-CUSTER REGIONAL COUNCIL  
Dickinson, North Dakota

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ROOSEVELT-CUSTER REGIONAL COUNCIL  
Dickinson, North Dakota

Executive Committee Members

Robert Kleeman	Chairman
Dean Franchuk	Vice-Chairman
Lynn Brackel	Secretary
Troy Mosbrucker	Treasurer
Mark Resner	Executive Director
Cyndi Resner	Program Administrator

# Rath & Mehrer

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*Specializing in Governmental Auditing*

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Roosevelt-Custer Regional Council  
Dickinson, North Dakota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Roosevelt-Custer Regional Council, Dickinson, North Dakota, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the regional council's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the regional council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the regional council's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Roosevelt-Custer Regional Council, Dickinson, North Dakota, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and budgeting comparison information on pages 25 through 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the regional council's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also 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 November 10, 2018 on our consideration of the regional council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the regional council's internal control over financial reporting and compliance.

*Rath and Mehrer*

Rath and Mehrer, P.C.

Bismarck, North Dakota

November 10, 2018

ROOSEVELT-CUSTER REGIONAL COUNCIL  
Management's Discussion and Analysis

June 30, 2018

The Management's Discussion and Analysis (MD&A) of the Roosevelt-Custer Regional Council's financial performance provides an overall review of the regional council's financial activities for the fiscal year ended June 30, 2018. The intent of the MD&A is to look at the regional council's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

The MD&A is a new element of the Required Supplementary Information specified in the Government Accounting Standards Board's (GASB) Statement No. 34 *"Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments"*. Certain comparative information between the current fiscal year and the prior year is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the year ended June 30, 2018 are as follows:

- \* Net position of the regional council increased \$65,879 as a result of the current year's operations.
- \* Governmental net position as of the end of the fiscal year totaled \$1,496,138.
- \* Total revenues from all sources were \$318,944.
- \* Total expenses were \$253,065.
- \* The regional council's general fund had \$130,275 in total revenues and \$121,614 in total expenditures. There was a total of \$159 paid from other financing uses. Overall, the general fund balance increased by \$8,502 for the year ended June 30, 2018.

**USING THIS ANNUAL REPORT**

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand the regional council as a financial whole. The statements then proceed to provide an increasingly detailed look at financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole regional council, presenting both an aggregate view of the regional council's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the regional council's general fund, EDA fund, FEHAP fund, USDA RBDG winery fund, IRP #1 fund, IRP #2 fund and RLF fund with all other governmental funds presented in total in one column.

## REPORTING ON THE REGIONAL COUNCIL AS A WHOLE

### Statement of Net Position and Statement of Activities

These statements are summaries of all the funds used by the regional council to provide programs and activities and attempt to answer the question "How did the regional council do financially during the year ended June 30, 2018?"

The Statement of Net Position presents information on all the council's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the regional council is improving or deteriorating.

The Statement of Activities presents information on how the regional council's net position changed during the fiscal year. This statement is presented using the accrual basis of accounting, which means that all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (for example, earned but unused sick leave and/or vacation leave).

These two statements report the regional council's net position and changes in that position. This change in net position is important because it tells the reader whether, for the regional council as a whole, the financial position of the regional council has improved or deteriorated. The causes of this change may be the result of many factors, some financial and some not.

In the Statement of Net Position and the Statement of Activities, the regional council reports governmental activities. Governmental activities are the activities where most of the regional council's programs and services are reported including, but not limited to, general administration, special projects administration, loan programs administration, project expenditures and interest on long-term debt.

## REPORTING ON THE REGIONAL COUNCIL'S MOST SIGNIFICANT FUNDS

### Balance Sheet - Governmental Funds

The regional council uses separate funds to account for and manage money dedicated for particular purposes (e.g. funds received from grants and donations). The fund basis financial statements allow the regional council to demonstrate its stewardship over and accountability for resources provided by other entities. Fund financial statements provide detailed information about the regional council's major funds. Using the criteria established by GASB Statement No. 34, the regional council's general fund, EDA fund, FEHAP fund, USDA RBDG winery fund, IRP #1 fund, IRP #2 fund and RLF fund are considered "major funds".

The regional council's other fund, which is used to account for the financial transactions of the DCS fund, is summarized under the heading "DCS".

## FINANCIAL ANALYSIS OF THE REGIONAL COUNCIL AS A WHOLE

Table I provides a summary of the regional council's net position as of June 30, 2018. A comparative analysis of council-wide data is presented for both current and prior year.

As indicated in the financial highlights above, the regional council's net position increased by \$65,879 for the year ended June 30, 2018. Changes in net position may serve over time as a useful indicator of the regional council's financial position.

The regional council's net position of \$1,496,138 is segregated into two separate categories. The restricted component of net position is \$1,523,099 and represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted component of net position is (\$26,961). This amount is available to meet the regional council's ongoing obligations.

Table I  
Net Position  
As of June 30, 2018  
(With comparative totals for June 30, 2017)

	2018	2017
<u>Assets</u>		
Current Assets	1,928,277	1,899,431
Capital Assets (net of accumulated depreciation)		1,862
Total Assets	1,928,277	1,901,293
<u>Liabilities</u>		
Current Liabilities	130,351	120,321
Long-Term Liabilities	301,788	350,714
Total Liabilities	432,139	471,035
<u>Net Position</u>		
Net Investment in Capital Assets		1,862
Restricted	1,523,099	1,476,349
Unrestricted	(26,961)	(47,952)
Total Net Position	1,496,138	1,430,259
	=====	=====

Table II shows the changes in net position for the fiscal year ended June 30, 2018. A comparative analysis of council-wide data is presented for both current and prior year.



Table II  
Changes in Net Position  
As of June 30, 2018  
(With comparative totals for June 30, 2017)

	<u>2018</u>	<u>2017</u>
<b>Revenues</b>		
<u>Program Revenues:</u>		
Charges for Services	118,621	154,798
Operating Grants and Contributions	124,627	69,234
<u>General Revenues:</u>		
Loan Interest Payments	75,312	51,153
Interest Earnings and Other Revenue	384	3,543
<b>Total Revenues</b>	<u>318,944</u>	<u>278,729</u>
<b>Expenses</b>		
General Administration	113,367	167,165
Special Projects Administration	100,922	45,321
Loan Projects Administration	25,766	35,497
Project Expenditures	6,550	30,593
Interest on Long-Term Debt	6,460	6,884
<b>Total Expenses</b>	<u>253,065</u>	<u>285,461</u>
<b>Net Change in Position</b>	<u>65,879</u>	<u>(6,732)</u>
	=====	=====

Loan interest payments constituted 24%, operating grants and contributions 39% and charges for services made up 37% of the total revenues of governmental activities of the regional council for the fiscal year ended June 30, 2018.

General administration constituted 45%, special projects administration 40%, loan program administration 10% and project expenditures 3% of total expenses for governmental activities during the fiscal year ended June 30, 2018.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table III shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by other unrestricted revenues.

Table III  
Total and Net Cost of Services  
As of June 30, 2018

	<u>Total Cost</u> <u>Year Ended</u> <u>June 30, 2018</u>	<u>Net Cost</u> <u>Year Ended</u> <u>June 30, 2018</u>
General Administration	113,367	(5,253)
Special Projects Administration	100,922	(23,706)
Loan Programs Administration	25,766	25,766
Project Expenditures	6,550	6,550
Interest on Long-Term Debt	6,460	6,460
<b>Total Expenses</b>	<u>253,065</u>	<u>9,817</u>
	=====	=====

## FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The purpose of the regional council's governmental funds is to provide information on the near-term inflows, outflows and balances of available resources. Unassigned fund balance generally can be used as a measure of the regional council's net resources available for spending as of the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting. The regional council's governmental funds had total revenue of \$318,944 and expenditures of \$300,095 for the year ended June 30, 2018. As of June 30, 2018, the unassigned fund balance of the regional council's general fund was (\$26,961).

## BUDGET HIGHLIGHTS

During the course of fiscal year 2018, the regional council did not amend the General, EDA and DCS funds budget.

Actual revenue for the year ended June 30, 2018 was \$128,252 less than budgeted. This budget variance was due to the regional council overestimating collections from charges for services and CDBG administration due to a decline in billable services during the year. Actual expenditures for the year ended June 30, 2018 were under budget by \$32,926. This budget variance was the result of appropriations exceeding expenditures for salaries and payroll taxes due to retirement of former staff. The regional council started contracting for the these administrative services starting January 1, 2018. The regional council did not include an appropriation for these contracted services.

## CAPITAL ASSETS

As of June 30, 2018, the regional council had \$0 invested in capital assets. Table IV shows the balances as of June 30, 2018.

Table IV  
Capital Assets  
(Net of Accumulated Depreciation)  
As of June 30, 2018  
(With comparative totals for June 30, 2017)

	2018	2017
Furniture and Equipment	-0-	1,862
	=====	=====

This total represents a decrease of \$1,862 in capital assets from July 1, 2017. For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 8 to the audited financial statements which follow this analysis.

## DEBT ADMINISTRATION

As of June 30, 2018, the regional council had \$343,594 in outstanding debt of which \$41,805 was due within one year. During fiscal year 2018, the regional council did not issue any new long-term debt obligations.

For a detailed breakdown of the long-term debt, readers are referred to Note 12 to the audited financial statements, which follow this analysis.

## CONTACTING THE REGIONAL COUNCIL'S FINANCIAL MANAGEMENT

This financial report is designed to provide creditors and other interested readers with a general overview of the regional council's finances and to show the regional council's accountability for the money it receives to administer federal grants and loan programs and to provide technical assistance for various governmental entities and private businesses in southwest North Dakota. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact the Roosevelt-Custer Regional Council, Dickinson, ND 58601.

ROOSEVELT-CUSTER REGIONAL COUNCIL  
Dickinson, North Dakota

Statement of Net Position  
June 30, 2018

	Governmental Activities
<hr/>	
<b><u>ASSETS:</u></b>	
Cash	442,435.82
Accounts Receivable	24,314.12
Work in Progress	11,654.00
Notes Receivable	1,140,873.10
Other Assets	309,000.02
<hr/>	
Total Assets	1,928,277.06
<hr/>	
<b><u>LIABILITIES:</u></b>	
Accounts Payable	20,394.52
Interest Payable	3,150.65
Due to Billings County	65,000.00
Long-Term Liabilities:	
Due Within One Year:	
Loans Payable	41,805.93
Due After One Year:	
Loans Payable	301,787.83
<hr/>	
Total Liabilities	432,138.93
<hr/>	
<b><u>NET POSITION:</u></b>	
Restricted for:	
Special Projects	71,837.91
Debt Service	82,945.50
Uncollectible Loans	11,782.00
Revolving Loan Funds	1,356,533.72
Unrestricted	(26,961.00)
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Total Net Position	1,496,138.13
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The accompanying notes are an integral part of these financial statements.

ROOSEVELT-CUSTER REGIONAL COUNCIL  
Dickinson, North Dakota

Statement of Activities  
For the Year Ended June 30, 2018

	Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Charges for	Operating Grants	Governmental
Expenses	Services	and Contributions	Activities
<u>Governmental Activities:</u>			
General Administration	113,367.44	118,620.71	5,253.27
Special Projects Administration	100,921.56	124,627.25	23,705.69
Loan Programs Administration	25,765.93		(25,765.93)
Project Expenditures	6,550.00		(6,550.00)
Interest on Long-Term Debt	6,460.01		(6,460.01)
Total Governmental Activities	253,064.94	118,620.71	124,627.25
			(9,816.98)
<u>General Revenues:</u>			
Loan interest payments			75,312.22
Earnings on investments and other revenue			384.25
Total General Revenues			75,696.47
Change in Net Position			65,879.49
Net Position - July 1			1,430,258.64
Net Position - June 30			1,496,138.13

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

ROOSEVELT-CUSTER REGIONAL COUNCIL  
Dickinson, North Dakota

Balance Sheet  
Governmental Funds  
June 30, 2018

Major Funds

	General	EDA	FEHAP	USDA RBOG Winery	IRP #1	IRP #2	RLF	DCS	Total Governmental Funds
<b>ASSETS:</b>									
Cash	9,381.28	38,912.80	32,925.11		108,333.46	106,816.47	146,066.70		442,435.82
Interfund Receivable	6,300.00								6,300.00
Accounts Receivable	18,014.12			6,300.00					24,314.12
Work in Progress	11,654.00								11,654.00
Notes Receivable					179,255.86	286,796.72	674,820.52		1,140,873.10
Other Assets						150,000.00	159,000.02		309,000.02
<b>Total Assets</b>	<b>45,349.40</b>	<b>38,912.80</b>	<b>32,925.11</b>	<b>6,300.00</b>	<b>287,589.32</b>	<b>543,613.19</b>	<b>979,887.24</b>	<b>-0-</b>	<b>1,934,577.06</b>

**LIABILITIES AND FUND BALANCES**

<b>Liabilities:</b>									
Interfund Payable	7,310.40			6,300.00	2,048.53	2,414.26	8,621.33		6,300.00
Accounts Payable	65,000.00								20,394.52
Due to Billings County									65,000.00
<b>Total Liabilities</b>	<b>72,310.40</b>			<b>6,300.00</b>	<b>2,048.53</b>	<b>2,414.26</b>	<b>8,621.33</b>		<b>91,694.52</b>
<b>Fund Balances:</b>									
Nonspendable:									
Notes Receivable					179,255.86	286,796.72	674,820.52		1,140,873.10
Restricted for:									
Special Projects		38,912.80	32,925.11						71,837.91
Debt Service					37,702.50	45,243.00			82,945.50
Uncollectible Loans					6,582.00	5,200.00			11,782.00
Revolving Loan Fund					62,000.43	203,959.21	296,445.39		562,405.03
Unassigned	(26,961.00)								(26,961.00)
<b>Total Fund Balances</b>	<b>(26,961.00)</b>	<b>38,912.80</b>	<b>32,925.11</b>		<b>285,540.79</b>	<b>541,198.93</b>	<b>971,265.91</b>		<b>1,842,882.54</b>
<b>Total Liabilities and Fund Balances</b>	<b>45,349.40</b>	<b>38,912.80</b>	<b>32,925.11</b>	<b>6,300.00</b>	<b>287,589.32</b>	<b>543,613.19</b>	<b>979,887.24</b>	<b>-0-</b>	<b>1,934,577.06</b>

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

ROOSEVELT-CUSTER REGIONAL COUNCIL  
Dickinson, North Dakota

Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Position  
For the Year Ended June 30, 2018

Total Fund Balances for Governmental Funds	1,842,882.54
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Total net position reported for government activities in the statement of net position is different because:

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

Cost of Capital Assets	15,999.00	
Less Accumulated Depreciation	(15,999.00)	
Net Capital Assets		0.00

Long-term liabilities applicable to the regional council's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities -both current and long-term- are reported in the statement of net position. Balances at June 30, 2018 are:

Loans Payable	(343,593.76)	
Interest Payable	(3,150.65)	
Total Long-Term Liabilities		(346,744.41)

Total Net Position of Governmental Activities	1,496,138.13
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The accompanying notes are an integral part of these financial statements.

ROOSEVELT-CUSTER REGIONAL COUNCIL  
Dickinson, North Dakota

Statement of Revenues, Expenditures and Changes  
in Fund Balances - Governmental Funds  
For the Year Ended June 30, 2018

Major Funds

	General	EDA	FEHAP	USDA RBDG Winery	IRP #1	IRP #2	RLF	DCS	Total Governmental Funds
Revenues:									
Contributions and Charges for Services	87,714.19								87,714.19
Charges to Other Funds	392.70								392.70
CDBG Administration	4,930.00								4,930.00
Loan Funds Administration	22,222.42								22,222.42
FEHAP Administration	3,361.40								3,361.40
Federal Grants	11,654.00	35,000.00		70,600.00	8,014.45	11,376.88	55,920.89	7,373.25	124,627.25
Loan Interest Payments			25.34		87.41	87.57	183.93		75,312.22
Interest Income									384.25
Total Revenues	130,274.71	35,000.00	25.34	70,600.00	8,101.86	11,464.45	56,104.82	7,373.25	318,944.43

Expenditures:

Current:									
Salaries	44,824.54	18,185.23						1,638.51	64,648.28
Payroll Taxes	3,914.03	1,743.80						129.82	5,787.65
Retirement	2,016.61	932.66						70.51	3,019.78
Health Insurance	404.16	94.76						8.38	507.30
Travel	427.64	309.39							737.03
Printing and Supplies	276.04	74.75						5.94	356.73
Telephone	840.87	331.70						28.69	1,201.26
Office Rent	3,443.85	2,251.35						223.95	5,919.15
Insurance	1,085.56								1,085.56
Accounting Fees	2,977.68	588.28							3,611.76
Vehicle Expense	219.44	47.85						45.80	267.29
Conferences/Publications	606.82	248.79							855.61

Contracted Services	46,801.07					70,600.00			117,401.07
Audit	8,670.00								8,670.00
Miscellaneous	2,105.81							75.08	2,180.89
Administration								12,634.53	25,583.82
Project Expenditures									6,550.00
NDDF Interest Share									3,468.43
Debt Service:									
Principal									41,403.56
Interest	3,000.00								6,839.44
Total Expenditures	121,614.12	24,808.56	9,911.40	70,600.00	25,088.63	33,210.69	12,709.61	2,151.60	300,094.61
Excess (Deficiency) of Revenues Over Expenditures	8,660.59	10,191.44	(9,886.06)		(16,986.77)	(21,746.24)	43,395.21	5,221.65	18,849.82
Other Financing Sources (Uses):									
Transfers In									159.07
Transfers Out	(159.07)								(159.07)
Total Other Financing Sources (Uses)	(159.07)							159.07	
Net Change in Fund Balances	8,501.52	10,191.44	(9,886.06)		(16,986.77)	(21,746.24)	43,395.21	5,380.72	18,849.82
Fund Balance - July 1	(35,462.52)	28,721.36	42,811.17	-0-	302,527.56	562,945.17	927,870.70	(5,380.72)	1,824,032.72
Fund Balance - June 30	(26,961.00)	38,912.80	32,925.11	-0-	285,540.79	541,198.93	971,265.91	-0-	1,842,882.54

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



ROOSEVELT-CUSTER REGIONAL COUNCIL  
Dickinson, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures  
and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds	18,849.82
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year.

Current Year Capital Outlay	0.00	
Current Year Depreciation Expense	(1,862.24)	(1,862.24)

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	0.00	
Repayment of Debt	41,403.56	41,403.56

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	379.43	
Net Decrease in Compensated Absences Payable	7,108.92	7,488.35

Change in Net Position of Governmental Activities	65,879.49
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The accompanying notes are an integral part of these financial statements.

ROOSEVELT-CUSTER REGIONAL COUNCIL  
Dickinson, North Dakota

Notes to the Financial Statements  
June 30, 2018

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

Based on these criteria, there are no component units to be included within the 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, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through intergovernmental revenues and other nonexchange transactions.

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

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

The regional council reports the following major governmental funds:

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

*EDA.* This fund is used to account for grants from the Economic Development Administration to assist political subdivisions and individuals in the region with potential plans for economic development projects.

*FEHAP.* This fund is used to account for private agency and foundation grants whose objective is to identify and address substandard housing problems for low-income people living in southwest North Dakota.

*USDA RBDG WINERY.* This fund accounts for the Rural Business Development Grant (RBDG) received through USDA-Rural Development to promote sustainable economic development and facilitate the development of small and emerging private business, industry, and related employment for improving the economy in rural communities.

*IRP.* These funds are used to account for the Intermediary Relending Program through USDA-Rural Development. Funds are relent 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 relent to assist emerging and existing businesses in obtaining gap financing with the goal of creating new jobs and new wealth in the RCRC service area.

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

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

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

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

#### D. Cash

Cash includes amounts in demand deposits and money market accounts.

#### E. Capital Assets

Capital assets include furniture and equipment and vehicles. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the regional council as assets with an initial, individual cost of \$100 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

Furniture and equipment	5 to 7 years
Vehicles	5 years

#### F. Long-Term Obligations

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

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

## G. Fund Equity

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

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

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

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

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

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

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

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

- \* Committed
- \* Assigned
- \* Unassigned

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

#### H. Interfund Transactions

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

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

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

#### I. Use of Estimates

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

#### Note 2 DEPOSITS

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

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

Authorized collateral includes bills, notes or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investments 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, 2018 the regional council's carrying amount of deposits was \$442,436 and the bank balance was \$442,556. Of the bank balance, \$282,925 was covered by Federal Depository Insurance. The remaining balance of \$159,631 was collateralized with securities held by the pledging financial institution's agent in the government's name.

### Credit Risk

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

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

### Concentration of Credit Risk

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

#### Note 3 INTERFUND RECEIVABLE/PAYABLE

Interfund receivable/payable is created by a negative cash balance in various funds. The amount shown as an interfund payable represents the amount of negative cash in these funds. Interfund receivable/payable for the year ended June 30, 2018 is as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
General Fund	6,300.00	
USDA RBDG Winery		6,300.00

#### Note 4 ACCOUNTS RECEIVABLE

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

No allowance has been established for estimated uncollectible accounts receivable since the regional council anticipates 100% collections.

#### Note 5 WORK IN PROGRESS

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

#### Note 6 NOTES RECEIVABLE

Notes receivable consists of amounts 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, 2018:

##### Intermediary Relending Programs

###### IRP #1

Buffalo Creek Quilt Shop	20,717.75
Dunn County Fair Association	101,170.91
Killdeer Mountain Manufacturing	57,367.20
Total IRP #1	<u>179,255.86</u>

IRP #2

Enchanted Castle Upgrades	34,326.63
Dunn County Fair Association	207,521.99
R&W Real Estate, LLC	44,948.10
Total IRP #2	286,796.72

Revolving Loan Fund

Enchanted Highway	52,848.49
Jimmy Mack Customs	100,224.98
Dunn County Fair Association	110,112.74
Killdeer Mountain Manufacturing	8,037.33
The Tumbler, LLC.	95,774.39
Dunn County Fair Association	70,410.57
R&W Real Estate, LLC	89,896.24
Killdeer Mountain Manufacturing	147,515.78
Total Revolving Loan Fund	674,820.52

Grand Total Notes Receivable 1,140,873.10  
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Note 7 OTHER ASSETS

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

Note 8 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2018:

	Balance July 1	Increases	Decreases	Balance June 30
Governmental Activities:				
Capital assets				
being depreciated:				
Furniture and				
Equipment	13,528		13,528	
Vehicles	15,999			15,999
Total	29,527		13,528	15,999
Less accumulated				
depreciation for:				
Furniture and				
Equipment	11,666	1,862	13,528	
Vehicles	15,999			15,999
Total	27,665	1,862	13,528	15,999
Governmental Activities				
Capital Assets, Net	1,862	(1,862)	-0-	-0-
	=====	=====	=====	=====

Depreciation expense was charged to functions/programs of the regional council as follows:

General Administration 1,862.00  
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Note 9 ACCOUNTS PAYABLE

Accounts payable consists of amounts owed for services provided prior to June 30, 2018 and chargeable to the appropriations for the year then ended, but paid for subsequent to that date.

Note 10 INTEREST PAYABLE

Interest payable consists of interest on long-term liabilities accrued to June 30, 2018.

Note 11 DUE TO BILLINGS COUNTY

Due to Billings County consists of an amount borrowed to the regional council for general operating expenses. This operating loan will be repaid as funds become available. Interest on the loan is 4%.

Note 12 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the year ended June 30, 2018, the following changes occurred in liabilities reported in the long-term liabilities - Governmental Activities:

	Balance <u>July 1</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30</u>	Due Within <u>One Year</u>
Loans Payable	384,997		41,403	343,594	41,806
Compensated Absences *	7,109		7,109		
Total	<u>392,106</u>	<u>-0-</u>	<u>48,512</u>	<u>343,594</u>	<u>41,806</u>
	=====	=====	=====	=====	=====

\* The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of increases and decreases.

Outstanding debt at June 30, 2018 consists of the following:

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

Loans Payable. The regional council received two separate loans from USDA-Rural Development under the Intermediary Relending Program. These funds are then relented to local businesses in rural areas to assist in obtaining low interest financing. Loans payable outstanding at June 30, 2018 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%.

137,778.58  
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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>
2019	19,187.00	1,378.00
2020	19,378.87	1,186.13
2021	19,572.66	992.34
2022	19,768.38	796.62
2023	19,966.07	598.93
2024-2025	39,905.60	618.58
Total	137,778.58	5,570.60
	=====	=====

Intermediary Relending Program #2

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

205,815.18  
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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>
2019	22,618.93	2,059.07
2020	22,845.12	1,832.88
2021	23,073.57	1,604.43
2022	23,304.31	1,373.69
2023	23,537.35	1,140.65
2024-2027	90,435.90	2,277.03
Total	205,815.18	10,287.75
	=====	=====

Note 13 TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended June 30, 2018:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
DCS Fund	159.07	
General Fund		159.07

To subsidize project expenditures.

Note 14 DEFICIT FUND BALANCE

The following fund had a deficit balance as of June 30, 2018:

General Fund (26,961.00)

The regional council plans on eliminating this deficit balance with future revenue collections and reduction of operating expenses.

Note 15 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The regional council pays an annual premium to NDIRF for its general liability and automobile insurance coverage. The coverage by NDIRF is limited to losses of \$1,000,000 per occurrence for general liability and automobile.

The regional council also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The regional council pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the regional council with a blanket fidelity bond coverage in the amount of \$427,000 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 Safety and Insurance; and purchases commercial insurance for employee health and accident insurance.

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

ROOSEVELT-CUSTER REGIONAL COUNCIL  
Dickinson, North Dakota

Budgetary Comparison Schedule  
General, EDA and DCS Funds  
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Contributions & Charges for Services	182,400.00	182,400.00	87,714.19	(94,685.81)
Charges to Other Funds			392.70	392.70
CDBG Administration	30,000.00	30,000.00	4,930.00	(25,070.00)
Loan Funds Administration			22,222.42	22,222.42
FEHAP Administration	15,000.00	15,000.00	3,361.40	(11,638.60)
Federal Grants	73,500.00	73,500.00	54,027.25	(19,472.75)
Total Revenues	300,900.00	300,900.00	172,647.96	(128,252.04)
<u>Expenditures:</u>				
Current:				
Salaries	115,000.00	115,000.00	64,648.28	50,351.72
Payroll Taxes and Fringe Benefits	34,000.00	34,000.00	9,314.73	24,685.27
Travel	1,000.00	1,000.00	737.03	262.97
Printing and Supplies	1,000.00	1,000.00	356.73	643.27
Telephone	2,500.00	2,500.00	1,201.26	1,298.74
Office Rent	9,000.00	9,000.00	5,919.15	3,080.85
Insurance	1,500.00	1,500.00	1,085.56	414.44
Equipment Expense	2,500.00	2,500.00		2,500.00
Accounting Fees	4,000.00	4,000.00	3,611.76	388.24
Vehicle Expense	1,000.00	1,000.00	267.29	732.71
Conferences/Publications	1,500.00	1,500.00	855.61	644.39
Contracted Services			46,801.07	(46,801.07)
Audit	5,000.00	5,000.00	8,670.00	(3,670.00)
Miscellaneous	500.00	500.00	2,105.81	(1,605.81)
Debt Service:				
Interest	3,000.00	3,000.00	3,000.00	
Total Expenditures	181,500.00	181,500.00	148,574.28	32,925.72
Excess (Deficiency) of Revenues Over Expenditures	119,400.00	119,400.00	24,073.68	(95,326.32)
<u>Other Financing Sources (Uses):</u>				
Transfers In			159.07	159.07
Transfers Out			(159.07)	(159.07)
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	119,400.00	119,400.00	24,073.68	(95,326.32)
Fund Balance - July 1	(12,121.88)	(12,121.88)	(12,121.88)	
Fund Balance - June 30	107,278.12	107,278.12	11,951.80	(95,326.32)

ROOSEVELT-CUSTER REGIONAL COUNCIL  
Dickinson, North Dakota

Budgetary Comparison Schedule  
Intermediary Relending Program #1 Fund  
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Loan Interest Payments	7,764.51	7,764.51	8,014.45	249.94
Interest and Miscellaneous	75.00	75.00	87.41	12.41
<b>Total Revenues</b>	<b>7,839.51</b>	<b>7,839.51</b>	<b>8,101.86</b>	<b>262.35</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Administration	3,300.00	3,300.00	4,523.63	(1,223.63)
<b>Debt Service:</b>				
Principal			19,001.49	(19,001.49)
Interest	1,564.00	1,564.00	1,563.51	0.49
<b>Total Expenditures</b>	<b>4,864.00</b>	<b>4,864.00</b>	<b>25,088.63</b>	<b>(20,224.63)</b>
<b>Net Change in Fund Balances</b>	<b>2,975.51</b>	<b>2,975.51</b>	<b>(16,986.77)</b>	<b>(19,962.28)</b>
<b>Fund Balance - July 1</b>	<b>302,527.56</b>	<b>302,527.56</b>	<b>302,527.56</b>	
<b>Fund Balance - June 30</b>	<b>305,503.07</b>	<b>305,503.07</b>	<b>285,540.79</b>	<b>(19,962.28)</b>

ROOSEVELT-CUSTER REGIONAL COUNCIL  
Dickinson, North Dakota

Budgetary Comparison Schedule  
Intermediary Relending Program #2 Fund  
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Loan Interest Payments	11,932.43	11,932.43	11,376.88	(555.55)
Interest and Miscellaneous	65.00	65.00	87.57	22.57
Total Revenues	11,997.43	11,997.43	11,464.45	(532.98)
<u>Expenditures:</u>				
Current:				
Administration	7,650.00	7,650.00	5,064.26	2,585.74
NDDF Interest Share			3,468.43	(3,468.43)
Debt Service:				
Principal			22,402.07	(22,402.07)
Interest	2,504.00	2,504.00	2,275.93	228.07
Total Expenditures	10,154.00	10,154.00	33,210.69	(23,056.69)
Net Change in Fund Balances	1,843.43	1,843.43	(21,746.24)	(23,589.67)
Fund Balance - July 1	562,945.17	562,945.17	562,945.17	
Fund Balance - June 30	564,788.60	564,788.60	541,198.93	(23,589.67)
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ROOSEVELT-CUSTER REGIONAL COUNCIL  
Dickinson, North Dakota

Notes to the Budgetary Comparison Schedules  
June 30, 2018

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

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

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

Note 2 LEGAL COMPLIANCE

The governing board did not amend the regional council's budget for the year ending June 30, 2018.

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following funds for the year ended June 30, 2018:

<u>Special Revenue Funds</u>	
* USDA RBDG Winery	70,600.00
Intermediary Relending	
Program #1 Fund	20,224.63
Intermediary Relending	
Program #2 Fund	23,056.69
* Revolving Loan Fund	12,709.61

\* A budget was not prepared for this fund.

ROOSEVELT-CUSTER REGIONAL COUNCIL  
Dickinson, North Dakota

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
<u>U.S. Department of Agriculture</u>			
Rural Development - Direct Program:			
Rural Business Development Grant	10.351		75,754.00
Intermediary Relending Program	10.767		343,593.76
Total U.S. Department of Agriculture			419,347.76
<u>U.S. Department of Commerce</u>			
Economic Development Administration - Direct Program:			
Economic Development Planning Grant	11.302		35,000.00
Economic Adjustment Assistance	11.307		744,391.33
Total U.S. Department of Commerce			779,391.33
<u>U.S. Department of Housing and Urban Development</u>			
Passed through State Division of Community Services:			
Community Development Block Grant	14.228	4373-CDBG-18	6,500.00
Community Development Block Grant	14.228	4185-CDBG-17	7,373.25
Total Passed through State Division of Community Services			13,873.25
Total Expenditures of Federal Awards			1,212,612.34

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Significant Accounting Policies

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

The de minimis indirect cost rate was not used.

Note 2 - Loan Programs

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

	Revolving Loan Fund	Intermediary Relending Program #1	Intermediary Relending Program #2
Econ. Dev. Loan Balances, June 30, 2018	674,820.52		
Cash Balance, June 30, 2018	305,066.72		
Loan Balances, June 30, 2018		137,778.58	205,815.18
Current Year Administrative Expenses	12,634.53		
Total Expenditures	992,521.77	137,778.58	205,815.18
Federal Percentage	75%	100%	100%
Total Federal Expenditures	744,391.33	137,778.58	205,815.18



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

INDEPENDENT AUDITOR'S REPORT

Governing Board  
Roosevelt-Custer Regional Council  
Dickinson, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Roosevelt-Custer Regional Council, Dickinson, North Dakota, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the regional council's basic financial statements, and have issued our report thereon dated November 10, 2018.

**Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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



Rath and Mehrer, P.C.

Bismarck, North Dakota

November 10, 2018

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

### INDEPENDENT AUDITOR'S REPORT

Governing Board  
Roosevelt-Custer Regional Council  
Dickinson, North Dakota

#### Report on Compliance for Each Major Federal Program

We have audited the Roosevelt-Custer Regional Council's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the regional council's major federal program for the year ended June 30, 2018. The regional council's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and responses.

#### Management's Responsibility

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

#### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the regional council's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the regional council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

#### Opinion on Each Major Federal Program

In our opinion, the regional council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

## Report on Internal Control Over Compliance

Management of the Roosevelt-Custer Regional Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the regional council's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the regional council's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Rath and Mehrer*

Rath and Mehrer, P.C.

Bismarck, North Dakota

November 10, 2018

ROOSEVELT-CUSTER REGIONAL COUNCIL  
Dickinson, North Dakota

Schedule of Findings and Responses  
For the Year Ended June 30, 2018

SECTION I - SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:

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

Internal control over financial reporting:

* Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
* Significant deficiency(ies) identified?	_____ Yes	_____ <u>X</u> None Reported
Noncompliance Material to financial statements noted?	_____ Yes	_____ <u>X</u> No

Federal Awards

Internal control over major program(s):

* Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
* Significant deficiency(ies) identified?	_____ Yes	_____ <u>X</u> None Reported

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

Unmodified

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

\_\_\_\_\_ Yes \_\_\_\_\_ X No

Identification of major program(s):

<u>CFDA Number</u>	<u>Name of Federal Program</u>
11.307	Economic Adjustment Assistance

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

\$750,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ X Yes \_\_\_\_\_ No

SECTION II - FINANCIAL STATEMENT FINDINGS:

No matters were reported

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

No matters were reported