

LAKE AGASSIZ REGIONAL COUNCIL

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

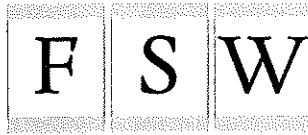


**FIEBIGGER [®] SWANSON [®] WEST
& Co., PLLP**
CPAs & Consultants

LAKE AGASSIZ REGIONAL COUNCIL

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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INDEPENDENT AUDITORS' REPORT

June 26, 2017

To the Board of Directors of
Lake Agassiz Regional Council

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Lake Agassiz Regional Council, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Lake Agassiz 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.

Auditors' 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 auditors' judgment, 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 auditors consider internal control relevant to the entity'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 entity'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 and each major fund of Lake Agassiz Regional Council as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 19 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.

Management has omitted Management's Discussion and Analysis information 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 Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2017, on our consideration of Lake Agassiz 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 Lake Agassiz Regional Council's internal control over financial reporting and compliance.

Fiebigler, Swanson, West + Co., PLLP

FIEBIGER, SWANSON, WEST & CO., PLLP
Certified Public Accountants

LAKE AGASSIZ REGIONAL COUNCIL
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Governmental Activities
Assets:	
Cash in Bank	\$ 94,575
Restricted Cash	502,984
Accounts Receivable	45,900
Loans Receivable, Net	1,755,309
Total Assets	\$ 2,398,768
 Liabilities:	
Accrued Expenses	\$ 17,639
Long-Term Liabilities:	
Due Within One Year	756,974
Due in More Than One Year	401,259
Total Liabilities	\$ 1,175,872
 Deferred Inflows of Resources:	
Unavailable Revenue	\$ 91,811
 Net Position:	
Restricted Net Position	\$ 1,022,813
Unrestricted Net Position	108,272
Total Net Position	\$ 1,131,085

See the accompanying notes to the financial statements

LAKE AGASSIZ REGIONAL COUNCIL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
Governmental Activities:					
Current:					
Administrative	\$ 22,449	\$ 68,839	\$ 98,700	\$ 0	\$ 145,090
Interest	21,786	71,180	0	0	49,394
Grant Expenses	635,304	0	635,304	0	0
Loan Closing Expense	175	0	0	0	(175)
Utilities	2,226	0	0	0	(2,226)
Other	3,702	0	0	0	(3,702)
Insurance	7,797	0	0	0	(7,797)
Rent	8,400	0	0	0	(8,400)
Professional Services	13,200	0	0	0	(13,200)
Bad Debts	19,210	0	0	0	(19,210)
Contracted Services	75,000	0	0	0	(75,000)
Salaries & Benefits	125,565	0	0	0	(125,565)
Total Governmental Activities	\$ 934,814	\$ 140,019	\$ 734,004	\$ 0	\$ (60,791)
General Revenues:					
Miscellaneous					\$ 35,677
Total General Revenues					\$ 35,677
Changes in Net Position					\$ (25,114)
Total Net Position - Beginning					1,156,199
Total Net Position - Ending					<u>\$ 1,131,085</u>

See the accompanying notes to the financial statements

LAKE AGASSIZ REGIONAL COUNCIL
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General Fund	EDA Revolving Loan Fund	Community Development Loan Fund	Grant Fund	Total Governmental Funds
Assets:					
Cash in Bank	\$ 94,575	\$ 0	\$ 0	\$ 0	\$ 94,575
Restricted Cash	0	370,142	55,595	77,247	502,984
Accounts Receivable	45,900	0	0	0	45,900
Loans Receivable, Net	0	641,676	1,113,633	0	1,755,309
Total Assets	\$ 140,475	\$ 1,011,818	\$ 1,169,228	\$ 77,247	\$ 2,398,768
Liabilities:					
Accrued Expenses	\$ 9,497	\$ 8,142	\$ 0	\$ 0	\$ 17,639
Total Liabilities	\$ 9,497	\$ 8,142	\$ 0	\$ 0	\$ 17,639
Deferred Inflows of Resources:					
Unavailable Revenue	\$ 14,564	\$ 0	\$ 0	\$ 77,247	\$ 91,811
Fund Balance:					
Restricted - Loan & Grant Programs	\$ 0	\$ 1,011,818	\$ 1,169,228	\$ 0	\$ 2,181,046
Unassigned	116,414	(8,142)	0	0	108,272
Total Fund Balance	\$ 116,414	\$ 1,003,676	\$ 1,169,228	\$ 0	\$ 2,289,318
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 140,475	\$ 1,011,818	\$ 1,169,228	\$ 77,247	\$ 2,398,768
Total Fund Balance, As Presented Above					\$ 2,289,318
<u>Amounts presented for governmental activities in the Statement of Net Position are different because:</u>					
Long-term liabilities are reported in the Statement of Net Position, but they are not due and payable in the current period, and are therefore not reported as liabilities of fund balance sheets					(1,158,233)
Total Net Position					\$ 1,131,085

See the accompanying notes to the financial statements

Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (53,260)	\$ 12,294	\$ (312,377)	\$ 0	\$ (353,343)
Other Financing Sources (Uses):					
Transfers In	34,846	0	0	0	34,846
Transfers Out	<u>0</u>	<u>(16,126)</u>	<u>(18,720)</u>	<u>0</u>	<u>(34,846)</u>
Total Other Financing Sources (Uses)	<u>\$ 34,846</u>	<u>\$ (16,126)</u>	<u>\$ (18,720)</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ (18,414)	\$ (3,832)	\$ (331,097)	\$ 0	\$ (353,343)
Fund Balance - Beginning of Year	<u>134,828</u>	<u>1,007,508</u>	<u>1,500,325</u>	<u>0</u>	<u>2,642,661</u>
Fund Balance - End of Year	<u>\$ 116,414</u>	<u>\$ 1,003,676</u>	<u>\$ 1,169,228</u>	<u>\$ 0</u>	<u>\$ 2,289,318</u>

Net Change in Fund Balances, As Presented Above \$ (353,343)

Amounts presented for governmental activities in the Statement of Activities are different because:

Proceeds from the issuance of long-term debt are reported as providing current financial resources in governmental funds, but are reported as long-term debt in the government-wide financial statements. Repayments of such debt is reported as an expenditure for governmental funds, but is reported as a reduction of debt in government-wide financial statements. 347,229

The reporting of loans receivable on the balance sheet is offset by a reserved fund balance. The change in the allowance for doubtful receivables of the CDLF fund decreases the long-term liabilities in the statement of net position rather than decreasing the fund balance. Therefore, a change in the allowance needs to be recorded in the statement of revenues, expenditures, and changes in fund balances to accurately report the fund balances. (19,000)

Changes in Net Position \$ (25,114)

See the accompanying notes to the financial statements

LAKE AGASSIZ REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – Lake Agassiz Regional Council (Council) was organized as a public non-profit corporation in 1974 to address the resource conservation and community development needs of the southeastern North Dakota counties of Cass, Ransom, Richland, Sargent, Steele and Traill. The Council provides a broad array of services and programs to communities throughout its service area, including economic development planning, business lending, resource conservation, and community development.

Description of Funds – The accounts of Lake Agassiz Regional Council are organized into four separate major funds, as follows:

General Fund – Accounts for general operating revenues and expenditures not accounted for elsewhere.

EDA Revolving Loan Fund – Accounts for operations of revolving loan program for qualifying small businesses. The Council receives interest on the loan repayments as well as a portion for administering the program.

Community Development Loan Fund – Accounts for operations of community development loan program for qualifying borrowers. The Council receives interest on the loan repayments as well as a portion for administering the program.

Grant Fund – Accounts for the revenues and expenditures of specific grant programs.

With the exception of the General fund, all assets, liabilities, and fund balances of each fund are required to be returned to the granting agency if the programs are discontinued.

Non-Major Governmental Funds – Typically, aggregated information for the non-major governmental funds is reported in a single column in the fund financial statements. Currently, all funds of the Council are considered major in the fund financial statements.

Government-Wide Financial Statements – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Council are included in the statement of net position.

Government-wide financial statements are prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements display information about the Council as a whole. The activities reported include all of the financial activities of the Council.

The statement of net position presents the financial condition of the governmental activities of the Council at year-end.

LAKE AGASSIZ REGIONAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Council's governmental activities. The statement identifies the extent to which each governmental function is self-financing or drawing from the general revenues of the Council.

Direct expenses are expenses that are specifically associated with a service, program, or department. The direct expenses are clearly identifiable to a particular function. Program revenues include charges to recipients for goods or services offered by the program, grants, and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Council.

Fund Financial Statements – The governmental funds are accounted for using a flow of current financial resources measurement focus. Under this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources and uses of current financial resources.

The Council's governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Council considers revenues to be available if they are collected within 60 days of the end of its fiscal year. Expenditures are generally recorded as the related fund liability is incurred. The following revenues are susceptible to accrual under the modified basis of accounting:

Federal, State, and Local Support – Funds for which the Council serves in a fiscal agent-like capacity in the area it serves.

The current financial resources measurement focus differs from the manner that the governmental activities of the government-wide financial statements are prepared. Due to the difference, the Council's financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds.

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Typically, aggregated information for the non-major governmental funds is reported in a single column in the fund financial statements. Currently, all funds of the Council are considered major in the fund financial statements.

Net Position – In the government-wide financial statements, equity is classified as "net position," and is the difference between total assets plus deferred outflows of resources, less total liabilities less deferred inflows of resources. Net position is further categorized into the following three components:

Net Investment in Capital Assets – Consists of the remaining undepreciated cost of the assets less the outstanding debt associated with the purchase or construction of the related asset. The governmental entity has no net position with these designations as of December 31, 2016.

LAKE AGASSIZ REGIONAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Net Position – Consists of equity with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – Comprises all other equity that does not meet the definition of “restricted” or “Net investment in capital assets.”

Fund Balances – The difference between assets and liabilities is “fund balance” on the governmental fund financial statements. In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned. No minimum fund balance is required.

Nonspendable fund balance represents a portion of fund balance that includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. At December 31, 2016, the Council did not have any nonspendable funds.

Restricted fund balance represents a portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. At December 31, 2016 the amount of restricted fund balance represents the total net loans receivable and restricted cash balances of both loan programs of the Council, which totaled \$2,181,046.

Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Council’s highest level of decision-making authority. At December 31, 2016, the Council did not have any funds committed.

Assigned fund balance represents amounts constrained by the Council’s intent to be used for specific purposes, but neither restricted nor committed. The assigned amounts are determined by the Board of Directors. At December 31, 2016, the Council did not have any funds assigned.

Unassigned fund balance represents residual classification for the General fund. This classification represents fund balance not assigned to other funds and not restricted, committed, or assigned for specific purposes within the General fund. The General fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned for those purposes, it would be necessary to report a negative unassigned fund balance.

When both restricted and unrestricted fund balances are available, restricted fund balance takes priority and will be utilized first. When committed, assigned, and/or unassigned fund balances are available, committed fund balance takes priority and will be utilized first.

LAKE AGASSIZ REGIONAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Transactions – The Council has the following types of transactions among funds:

Nonreciprocal interfund transfers – Flows of resources between funds without equivalent flows of resources in return and without a requirement for repayment. This includes the transfer of interest collected in the EDA Revolving Loan and Community Development Loan Funds to the General Funds (see Note 3).

Nonreciprocal interfund reimbursements – Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them (see Note 9).

Transactions that fall into these two categories are eliminated in the government-wide financial statements.

Basis of Presentation – The financial statements of the Council have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles.

Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements – The carrying amount of all financial instruments approximates their fair value due to the short-term maturities of these items.

Grant Fund – The Council serves in a fiscal agent-like capacity for several cities and counties in the area it serves. The Council is the recipient of Agricultural Products Utilization (APUC) and Environmental Protection Agency (EPA) Grants, the funds of which are passed-through to other third-party grantees, as specified by the grant awards. Undispersed funds are accounted for as restricted cash, with an equal and offsetting amount of unavailable revenue. As funds are disbursed by the Council to the grantee, grant revenue is recognized, along with an equal and offsetting amount of expense.

Accounts Receivable – Accounts receivable represents credit extended by the Council to its customers. Balances outstanding more than 30 days are subject to a service charge. As of December 31, 2016, the Council's accounts receivable did not include any balances outstanding more than 30 days.

The Council uses the allowance method to account for bad debts. Allowances are established based upon management's estimate of the collectability of the accounts and review of past collection experience. As of December 31, 2016, no allowance was deemed necessary.

LAKE AGASSIZ REGIONAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources – As sources of revenue become measurable, even though not currently available, they are recorded as unavailable revenue, and offset with an equal amount of receivable, in the governmental funds. When the sources of revenue become available for use, they are recognized as revenue, and the receivables are reduced by the amounts collected. These transactions generally occur within the Grant fund as they relate to the APUC grants.

Vacation and Sick Leave – Lake Agassiz Regional Council employees are granted vacation and sick leave in varying amounts. Employees terminating their employment in good standing shall be paid for all earned vacation leave. Vacation leave accumulated is reported as an expense when accrued for in the government-wide financial statements.

The table below sets forth a summary of changes in accrued vacation leave:

Balance, January 1, 2016	\$	5,564
Earned		5,560
Used		<u>(3,690)</u>
Balance, December 31, 2016	\$	<u>7,434</u>

The General fund is typically used to liquidate the accrued balances. The entire balance is considered current.

Allocation of Cost – A method of cost allocation is utilized by the Council, whereby employee time records are maintained and used to specifically allocate costs to various program functions. An hourly rate is assigned to each employee based on direct salary costs. Indirect costs are allocated on the basis of a percentage of direct salary costs. Costs that can be identified with a specific program are charged directly to that program.

Income Taxes – According to GAAP, the Council is required to record a liability for uncertain tax positions when it is more likely than not that a loss has been incurred and the amount can be reasonably estimated. As of December 31, 2016, no such liability existed. Management will continually evaluate expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings.

Fund Raising – There are no material fund raising expenses to be disclosed for the year presented.

LAKE AGASSIZ REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingencies – From time to time, the Council has bank balances in excess of the federally insured limits..

Subsequent Events – The Council has evaluated subsequent events through June 26, 2017, which is the date the financial statements were available to be issued.

NOTE 2 CASH AND INVESTMENTS

The Council's funds are required to be deposited and invested with the designated depositories in accordance with the laws of North Dakota. North Dakota laws require all public deposits be protected by insurance, surety bond, or collateral pledged by the financial institution. Pledged collateral must equal 110% of the deposits not covered by insurance or bonds.

In accordance with North Dakota laws, the Council maintains deposits at a depository authorized by the Board. All deposits held are protected by insurance or collateral pledged by the financial institution.

Credit Risk – North Dakota laws restrict allowable investments for public funds in order to safeguard the principle on investments. North Dakota law authorizes political subdivisions to invest surplus funds in:

- a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities or organizations created by an act of Congress.
- b) 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.
- c) Certificates of deposit fully insured by the Federal Deposit Insurance Corporation of the state.
- d) Obligations of the state.

Interest Rate Risk – The Council does not have a formal deposit policy that limits deposit maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Restricted Cash – The Council is required to keep administrative records to track income, expenses, and capital based under the revolving loan programs. Cash received and maintained under these programs is considered restricted based on grant awards. Undispersed APUC funds are also considered restricted cash, as these funds are not for the use of the Council, as specified by the grant awards.

NOTE 3 LOANS RECEIVABLE

The Council is in charge of payment collection and administrative duties for the Community Development Loan Fund (CDLF) Program. The Council performs loan underwriting and recommends funding of such loans to the North Dakota Division of Community Services after the approval by the Council's Loan Committee. The Council bears no financial obligation for repayment to North Dakota Division of Community Services should any defaults occur. The respective city accepts all risk related to

LAKE AGASSIZ REGIONAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 3 LOANS RECEIVABLE (CONTINUED)

the making, enforceability, and collectability of any loans. The Council collects payments on the outstanding loans and remits them to the North Dakota Division of Community Services. As compensation for these duties the Council receives twenty-five to fifty percent of the interest collected.

The Council also acts as an intermediary under the U.S. Department of Commerce Economic Development Administration (EDA) Revolving Loan Program. Under this program, the EDA grants funds to the Council, who in turn lends the funds to qualifying borrowers.

The following schedule shows the components of loans receivable at December 31, 2016:

CDLF Program:		
Principal Loan Balance	\$	1,672,633
Allowance for Uncollectible Loans		<u>(559,000)</u>
CDLF Loans, Net	\$	<u>1,113,633</u>
EDA Revolving Loan Program:		
Principal Loan Balance	\$	694,676
Allowance for Uncollectible Loans		<u>(53,000)</u>
EDA Revolving Loans, Net	\$	<u>641,676</u>
Total Loan Balance, Net of Allowance for Uncollectible Loans	\$	<u><u>1,755,309</u></u>

The Council uses the allowance method in accounting for bad debts. They provide allowances for uncollectible loans equal to the estimated losses that will be incurred in the collection of the loans. The estimated losses are based on historical collection experience coupled with a review of the current status of existing loans. The allowance for uncollectible loans totaled \$612,000 at December 31, 2016.

At December 31, 2016, loans receivable consists of the following:

Investment in Loans on Nonaccrual Status	\$	137,000
Investment in Loans Past Due 90 Days or More and Still Accruing Interest		146,965
Carrying Amount of Loans that Serve as Collateral for Borrowings		1,672,633

Loans are considered past due based upon the terms of the loan agreements which outline the required repayment amounts and due dates. However, management reviews loans individually and, based upon its judgment and negotiations with borrowers, will periodically place loans on nonaccrual status due to delinquency of repayment. When such a situation occurs, any and all subsequent payments received from the borrower are applied to principal only. The status of nonaccrual loans are continually monitored, until management determines that either the nonaccrual status no longer applies, at which time the accrual of

LAKE AGASSIZ REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3 LOANS RECEIVABLE (CONTINUED)

interest resumes, or the loan should be written off. The amount of loans serving as collateral for borrowings relate to the CDLF program.

Loans with payments outstanding more than 30 days are subject to a service charge. Loans are written off when management has explored all avenues for collection. Loan write-offs are approved by the Board of Directors.

The following table presents the aging of the principal portions of loan payments by loan program at December 31, 2016:

	Past Due			Total Past Due
	31-60 Days	61-90 Days	> 90 Days	
CDLF Program	\$ 19,321	\$ 0	\$ 183,965	\$ 203,286
EDA Revolving Loan Program	0	0	100,000	100,000

As a result of limitations with the loan software in use by the Council, the above aging schedule presents payment amounts past due which contain both principal and interest. In addition, any and all loans not represented in the above aging schedule are considered to be current by the Council.

Interest income on loans receivable is recorded when received from the borrower. Due to the fact that the loans are made to aid the start-up of businesses, and that extensions of due dates and payments are commonly made, interest receivable has not been accrued and recorded as of the balance sheet date. The accrued interest amounts are instead tracked separately and recorded when the collection of payments has occurred. This method approximates GAAP.

NOTE 4 LONG-TERM DEBT

Long-term debt is comprised of a payable to the North Dakota Division of Community Services for loans to qualified borrowers under the CDLF Program. The Council collects payments on the outstanding loans and forwards payments to the State Agency. Interest rates on the outstanding loans range from 3.00% to 5.00%.

The balance due at December 31, 2016, was \$1,158,233, and is net of the allowance for uncollectible loans, which reflects the fact that the Council is not responsible for repaying the debt on any loans receivable which are deemed worthless.

LAKE AGASSIZ REGIONAL COUNCIL
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2016

NOTE 4 LONG-TERM DEBT (CONTINUED)

The following is a summary of changes in long-term indebtedness of the Council for the year ended December 31, 2016:

	<u>ND Divison of Community Services</u>
Beginning Balance	\$ 2,064,462
Amount Retired	<u>(347,229)</u>
Ending Balance	<u>\$ 1,717,233</u>
Amount Due Within One Year	<u>\$ 756,974</u>

The following is a schedule of principal and interest payments due on the above debt as of December 31:

	Principal	Interest	Total
2017	\$ 756,974	\$ 30,545	\$ 787,519
2018	248,325	23,207	271,532
2019	410,193	21,949	432,142
2020	135,502	9,052	144,554
2021	71,019	4,987	76,006
2022-2026	<u>95,220</u>	<u>7,196</u>	<u>102,416</u>
	\$ 1,717,233	\$ 96,936	\$ 1,814,169
Less: Allowance	<u>559,000</u>	<u>0</u>	<u>559,000</u>
Total	<u>\$ 1,158,233</u>	<u>\$ 96,936</u>	<u>\$ 1,255,169</u>

As previously disclosed, the Council administers the CDLF program on behalf of the North Dakota Division of Community Services, and bears no financial obligation for any uncollectible loans. At management's determination, past due CDLF program loans are classified as current, and are offset by an equal amount of allowance. The total amount of principal payments due within 2017, as presented in the preceding schedule, includes these amounts.

NOTE 5 RELATED-PARTY TRANSACTIONS

The Council shares staff and facilities with Lake Agassiz Regional Development Corporation, a 501(c)(3) organization whose purpose is to provide community planning and economic development assistance to primarily, but not limited to, a six county region in southeastern North Dakota.

LAKE AGASSIZ REGIONAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 5 RELATED-PARTY TRANSACTIONS (CONTINUED)

The Council reimburses Lake Agassiz Regional Development Corporation for its share of staffing and facility expenses. For 2016, the amount of these expenses totaled \$110,879, of which \$0 remains in accounts payable at December 31, 2016.

NOTE 6 RETIREMENT PLAN

In 2003 the Council started a SIMPLE IRA plan for all employees who meet certain eligibility requirements. The Council matches a portion of the employee contributions. The expense recognized for the SIMPLE plan amounted to \$2,063 in 2016, \$1,970 in 2015, and \$2,682 in 2014 and is included in salaries and benefits on the statement of activities.

NOTE 7 RISK MANAGEMENT

As disclosed above, the Council has significant loans receivable in the EDA Revolving Loan Fund. There is significant credit risk in this lending process. The Council provides allowances for estimated uncollectible loans and follows sound lending practices to minimize that risk.

The Council is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets; errors and omissions insurance; injuries to employees; and natural disasters. Management believes the current insurance coverage is adequate.

NOTE 8 REPORTING ENTITY

The Council, in accordance with GASB, has developed criteria to determine whether outside agencies with activities which benefit the Council should be included within its financial reporting entity. The criteria include, but are not limited to, whether the Council exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of public service and special financing relationships. The Council has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the Council's financial statements.

LAKE AGASSIZ REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 9 TRANSFERS

The following is a summary of transfers from various funds to the General Fund during the year ended December 31, 2016:

	<u>General Fund</u>
EDA Revolving Loan Fund	\$ 16,126
Community Development Loan Fund	<u>18,720</u>
Total Transfers to General Fund	<u>\$ 34,846</u>

All transfers to the General Fund were for administrative expenses.

LAKE AGASSIZ REGIONAL COUNCIL
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Administrative	\$ 109,574	\$ 109,574	\$ 68,074	\$ (41,500)
Federal Grants	66,000	66,000	66,000	0
Local Support	33,200	33,200	32,700	(500)
Miscellaneous	43,300	43,300	35,677	(7,623)
Total Revenues	\$ 252,074	\$ 252,074	\$ 202,451	\$ (49,623)
Expenditures:				
Current:				
Administrative	\$ 24,360	\$ 24,360	\$ 22,413	\$ 1,947
Insurance	7,920	7,920	7,797	123
Other	12,000	12,000	11,736	264
Professional Services	13,920	13,920	13,200	720
Contracted Services	75,000	75,000	75,000	0
Salaries & Benefits	117,432	117,432	125,565	(8,133)
Total Expenditures	\$ 250,632	\$ 250,632	\$ 255,711	\$ (5,079)
Revenues Over (Under) Expenditures	\$ 1,442	\$ 1,442	\$ (53,260)	\$ (54,702)
Other Financing Sources:				
Transfers In	0	0	34,846	34,846
Total Other Financing Sources	\$ 1,442	\$ 1,442	\$ (18,414)	\$ (19,856)
Fund Balance - Beginning of Year	134,828	134,828	134,828	0
Fund Balance - End of Year	\$ 136,270	\$ 136,270	\$ 116,414	\$ (19,856)

LAKE AGASSIZ REGIONAL COUNCIL
NOTES TO THE BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The budgetary comparison schedule contains the budget for the General fund, and was prepared on the modified-accrual basis. No budgets have been legally adopted, nor are they required, for the major special revenue funds, and thus, are not presented. All unencumbered appropriations in the General fund lapse at year end.

NOTE 2 EXPENDITURES IN EXCESS OF BUDGET

The budgetary comparison schedule for the General fund contains one category of expenses where the actual amount expended exceeds the amount budgeted. Salaries and benefits exceeded the budgeted amount by \$8,133.

LAKE AGASSIZ REGIONAL COUNCIL
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Commerce:		
Economic Development Administration Planning Grant (Direct)	11.302	\$ 66,000
Economic Development Administration Revolving Loan Fund (Direct)	11.307	<u>1,080,945</u>
Total U.S. Department of Commerce:		\$ 1,146,945
U.S. Department of Housing and Urban Development:		
Community Development Block Grant Revolving Loan Fund (Passed through from the Department of Housing and Urban Development - State of North Dakota)	14.228	<u>1,691,353</u>
Total Expenditures of Federal Awards		<u>\$ 2,838,298</u>

See accompanying notes and independent auditors' report

LAKE AGASSIZ REGIONAL COUNCIL
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lake Agassiz Regional Council and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The amounts shown in the schedule of expenditures of federal awards as federal expenditures for the Economic Development Administration Revolving Loan Fund and the Community Development Block Grant Revolving Loan Fund include the balance of loans outstanding at December 31, 2016.

NOTE 2 RISK-BASED AUDIT APPROACH

The dollar threshold used to distinguish between Type A and Type B programs is \$750,000.

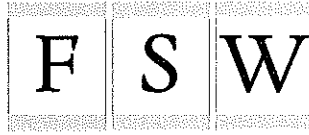
NOTE 3 LOANS OUTSTANDING

The calculation of total federal expenditures for the Economic Development Administration Revolving Loan Fund (EDA RLF) program (CFDA 11.307) and the Community Development Block Grant Revolving Loan Fund (CDBG RLF) program (CFDA 14.228) include the loans receivable from program participants and are as follows:

	EDA RLF	CDBG RLF
Balance of Loans Receivable at December 31, 2016	\$ 694,676	\$ 1,672,633
Cash and Investments	370,142	0
Administrative Expenses	16,127	18,720
 Federal Share of EDA and CDBG Loans Outstanding at December 31, 2016	 \$ 1,080,945	 \$ 1,691,353

NOTE 4 INDIRECT COST RATE

The Council has not elected the minimum indirect cost rate provided for by The Uniform Guidance, which allows for the allocation of 10% of modified total direct costs (direct salaries and wages, applicable fringe benefits, materials and supplies, services, and travel).



FIEBIGER SWANSON WEST
& Co., PLLP
CPAs & Consultants

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 AUDITORS' REPORT

June 26, 2017

To the Board of Directors of
Lake Agassiz Regional Council

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 Lake Agassiz Regional Council as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Lake Agassiz Regional Council's basic financial statements, and have issued our report thereon dated June 26, 2017.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2016-001 to be a material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lake Agassiz 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*.

Lake Agassiz Regional Council's Response to Findings

Lake Agassiz Regional Council's responses to the findings identified in our audit are described in the accompanying corrective action plan. Lake Agassiz Regional 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fiebigler, Swanson, West & Co., PLLP

FIEBIGER, SWANSON, WEST & CO., PLLP
Certified Public Accountants



FIEBIGER ■ SWANSON ■ WEST
& Co., PLLP
CPAs & Consultants

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM
GUIDANCE

INDEPENDENT AUDITORS' REPORT

June 26, 2017

To the Board of Directors of
Lake Agassiz Regional Council

Report on Compliance for Each Major Federal Program

We have audited Lake Agassiz Regional Council's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Lake Agassiz Regional Council's major federal programs for the year ended December 31, 2016. Lake Agassiz Regional Council's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Lake Agassiz Regional Council's major federal programs 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 (CFR) 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 Lake Agassiz 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 Lake Agassiz Regional Council's compliance.

Opinion on Each Major Federal Program

In our opinion, Lake Agassiz 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 each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of Lake Agassiz 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 Lake Agassiz 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 as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our 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 Lake Agassiz Regional Council's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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.

Lake Agassiz Regional Council's response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. Lake Agassiz Regional Council's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Fiebigler, Swanson, West & Co., PLLP

FIEBIGER, SWANSON, WEST & CO., PLLP
Certified Public Accountants
Fargo, ND

LAKE AGASSIZ REGIONAL COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

Any findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> </u>	Yes	<u> X </u>	No
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Identification of major programs:

CFDA Number(s)	Name of Federal Program(s) or Cluster(s)
11.307	- U.S. Department of Commerce: Economic Development Administration Revolving Loan Fund
14.228	- U.S. Department of Housing and Urban Development Community Development Block Grant Revolving Loan Fund

Dollar threshold used to distinguish between Type A and Type B programs:	<u> \$ </u>	<u> 750,000 </u>
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Auditee qualified as low-risk auditee?	<u> </u>	Yes	<u> X </u>	No
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Section II – Financial Statement Findings

2016-001 Financial Statement Preparation

Criteria – A good system of internal control considers an adequate system of recording and processing entries material to the financial statements and provides for the proper accumulations of accounting information, including footnotes, in financial statements.

Condition – The management of Lake Agassiz Regional Council, while knowledgeable and suitable to accept responsibility for the financial statements being issued, is not fully capable of properly applying accounting principles generally accepted in the United States of America in the preparation of the financial statements and related footnote disclosures being audited. As auditors, we were requested to assist with the draft of the financial statements and accompanying notes.

Context – As auditors, we were requested to assist with the drafting of the financial statements and accompanying notes.

Effect – This control deficiency could result in a material misstatement to the financial statements that would not be prevented or detected.

Cause – Due to certain cost considerations, Lake Agassiz Regional Council does not allocate funds to allow for the ability to internally prepare financial statements.

Recommendation – This circumstance is not unusual in an organization of Lake Agassiz Regional Council's size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other circumstances.

Responsible Individual's Response – Due to cost constraints, Lake Agassiz Regional Council will continue to have the auditors draft the financial statements and accompanying notes to the financial statements.

Section III – Federal Awards Findings

None noted.

LAKE AGASSIZ REGIONAL COUNCIL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

2015-001 Segregation of Duties

Recommendation – Cross-training employees on the activities of other organizational programs would increase the potential for incorporating an additional person in the cash receipts process. It is important to ensure that the employee recording the cash received into the general ledger is not involved in the process of receiving cash, creating the deposit slip and/or depositing the funds into the bank.

Status of Prior Finding – This was corrected during the current year.

2015-002 Financial Statement Preparation

Recommendation – This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other circumstances.

Status of Prior Finding – This finding still exists. The Board of Directors and management remain aware of the risk involved in not having the internal ability to complete financial statements and related footnotes in accordance with generally accepted accounting principles. Due to cost constraints, Lake Agassiz Regional Council will continue to have the auditors draft the financial statements and accompanying notes to the financial statements.

2015-003 Segregation of Duties

Information on federal program(s):

U.S. Department of Commerce Economic Development Administration	
Revolving Loan Funds – Direct	11.307
U.S. Department of Housing and Urban Development Community Development	
Block Grant Revolving Loan Fund – Pass Through	14.228

Recommendation – Cross-training employees on the activities of other organizational programs would increase the potential for incorporating an additional person in the cash receipts process. It is important to ensure that the employee recording the cash received into the general ledger is not involved in the process of receiving cash, creating the deposit slip and/or depositing the funds into the bank.

Status of Prior Finding – This was corrected during the current year.

**Lake Agassiz Regional Council
417 Main Avenue, Fargo, ND 58103
Corrective Action Plan**

June 26, 2017

Lake Agassiz Regional Council respectfully submits the following corrective action plan for the year ended December 31, 2016.

Name and address of independent public accounting firm:

Fiebiger, Swanson, West & Co., PLLP
2537 South University Dr., Suite 200
Fargo, ND 58103

Audit period: For the year ended December 31, 2016

The findings from the June 26, 2017 schedule of findings and questioned costs are discussed below. The finding is numbered consistently with the number assigned in the schedule of findings and questioned costs.

Findings – Financial Statement Audit

2016-001 Financial Statement Preparation

Planned Corrective Action – Due to cost constraints, Lake Agassiz Regional Council will continue to have the auditors draft the financial statements and accompanying notes to the financial statements.

If the Oversight Agency has any questions regarding this plan, please call Amber Metz at 701-235-1197.

Sincerely yours,

Amber Metz, Executive Director
Lake Agassiz Regional Council