

**SOURIS BASIN PLANNING COUNCIL  
MINOT, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

## TABLE OF CONTENTS

	<b>Page</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>1</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>4</b>
<b>FINANCIAL STATEMENTS</b>	
Statement of Net Position	9
Statement of Activities	10
Balance Sheet – Governmental Funds	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	14
Statement of Assets and Liabilities - Fiduciary Funds	15
Notes to the Financial Statements	16
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule – General Fund	30
Budgetary Comparison Schedule - Revolving Loan Fund	31
Budgetary Comparison Schedule - Intermediary Relending Program	32
Note to the Required Supplementary Information	33
<b>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>34</b>

<b>INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE</b>	<b>36</b>
Schedule of Expenditures of Federal Awards	38
Notes to the Schedule of Expenditures of Federal Awards	39
Schedule of Findings and Questioned Costs	40
Schedule of Prior Audit Findings	43
Corrective Action Plan	47
Schedule of Revenues and Expenditures by Project - General Fund	48



CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Souris Basin Planning Council  
Minot, North Dakota

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of the Souris Basin Planning Council (a nonprofit organization) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the 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 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 auditor considers 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, each major fund, and the remaining fund information of the Souris Basin Planning Council as of December 31, 2016, 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 and budgetary comparison information as listed in the table of contents 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 Souris Basin Planning Council's basic financial statements. The schedule of revenues and expenditures by project – general fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of revenues and expenditures by project – general fund and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the 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 revenues and expenditures by project - general fund and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the 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 September 5, 2017, on our consideration of the Souris Basin Planning Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Souris Basin Planning Council's internal control over financial reporting and compliance.



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

September 5, 2017

**SOURIS BASIN PLANNING COUNCIL**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF DECEMBER 31, 2016

This section of the Souris Basin Planning Council's annual financial report presents our discussion and analysis of the Council's financial performance during the year ended December 31, 2016. Please read it in conjunction with the Council's financial statements which follow this section.

### **FINANCIAL HIGHLIGHTS**

- The assets of Souris Basin Planning Council exceeded its liabilities at the close of the most recent fiscal year by \$1,599,155 (*net position*). Of this amount, \$213,537 (*unrestricted net position*) may be used to meet the Council's ongoing obligations.
- The Council's total net position decreased by \$2,311.
- As of the close of the current fiscal year, Souris Basin Planning Council's governmental funds reported combined ending fund balances of \$678,035.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$218,625.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the Council's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the Council's operations in *more detail* than the government-wide statements.
  - The *governmental funds statements* tell how general government services were financed in the *short-term* as well as what remains for future spending.
  - *Fiduciary fund* statements provide information about the financial relationships in which the Council acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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

### **Government-Wide Statements**

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

**SOURIS BASIN PLANNING COUNCIL**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
AS OF DECEMBER 31, 2016

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

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

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

### **Fund Financial Statements**

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

The Council has two types of funds:

- Governmental funds: Most of the Council's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Council's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide a reconciliation after each governmental funds statement that explains the differences between the governmental funds statement and the government-wide statements.
- Fiduciary funds: The Council is the trustee, or fiduciary, for certain funds. The Council is responsible for ensuring that only those to whom the assets belong use the assets reported in these funds. The Council's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the Council's government-wide financial statements because the Council cannot use these assets to finance its operations.

The Council adopts an annual budget for its governmental funds. Budgetary comparison statements have been provided for all of these funds to demonstrate compliance with this budget.

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

As stated earlier, net position may serve over time as a useful indicator of a government's financial position. The Council's assets exceeded liabilities by \$1,599,155 at December 31, 2016. The net position decreased by \$2,311 for the year ended December 31, 2016.

Eighty-seven percent of the Council's net position is restricted for use in the loan fund programs. Unrestricted net position may be used to fund Council activities in the next fiscal year.



**SOURIS BASIN PLANNING COUNCIL**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**AS OF DECEMBER 31, 2016**

<u>Governmental Activities</u>	<u>12/31/16</u>	<u>12/31/15</u>
Assets:		
Current and other assets	\$ 683,223	\$ 543,829
Notes receivable, net	1,416,586	1,593,373
Capital assets	<u>5,096</u>	<u>6,794</u>
Total Assets	2,104,905	2,143,996
Liabilities:		
Current liabilities	6,879	3,967
Long-term liabilities	<u>498,871</u>	<u>538,563</u>
Total Liabilities	505,750	542,530
Net Position:		
Invested in capital assets, net of related debt	(215)	(135)
Restricted for loan programs	1,385,833	1,422,562
Unrestricted	<u>213,537</u>	<u>179,039</u>
Total Net Position	<u>\$1,599,155</u>	<u>\$1,601,466</u>

<u>Governmental Activities</u>	<u>12/31/16</u>	<u>12/31/15</u>
Revenues:		
Program revenues:		
Fees, fines, & charges for services	\$ 266,325	\$ 414,714
Operating grants & contributions	73,365	69,318
General revenues:		
Joint power agreements	45,829	40,485
Mileage assessments	7,058	7,411
Interest income	1,106	396
Miscellaneous	<u>29,732</u>	<u>15,236</u>
Total Revenues	423,415	547,560
Expenses:		
Economic Development	228,937	438,255
General Government	75,297	67,889
Lending Programs	<u>121,492</u>	<u>50,041</u>
Total Expenses	425,726	556,185
Change in Net Position	(2,311)	(8,625)
Net Position, Beginning of Year	<u>1,601,466</u>	<u>1,610,091</u>
Net Position, End of Year	<u>\$1,599,155</u>	<u>\$1,601,466</u>

The Council's total revenues for 2016 and 2015 were \$423,415 and \$547,560, respectively. In 2016, 63% of the Council's revenues came from charges for services and 17% came from grants. In 2015, 75% came from charges for services and 13% came from grants.

The total cost of all programs and services was \$425,726 in 2016 and \$556,185 in 2015.

**SOURIS BASIN PLANNING COUNCIL**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**AS OF DECEMBER 31, 2016**

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

The Council uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Council's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

- Revenues from governmental fund types totaled \$901,858, an increase of \$45,052 from the preceding year.
- Total expenditures of \$765,302 include \$334,750 of funds paid for new loans under the loan programs and \$41,018 of loan principal and interest payments. Expenses decreased \$100,240 from the preceding year.
- Total fund balances increased by \$136,556 for the year ended December 31, 2016.
- The general fund balance increased by \$32,368 for the year ended December 31, 2016.

**GOVERNMENTAL FUND BUDGETARY HIGHLIGHTS**

General Fund:

- Actual revenues were \$90,855 more than budgeted due to grants awarded within 2016 that were not anticipated when the budget was adopted in 2015.
- Actual expenditures were \$90,123 less than budgeted due to loss of a staff position in early 2016, along with projects beginning later than originally anticipated.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Council's investment in capital assets was \$5,096 at the end of fiscal year 2016 and \$6,794 at the end of fiscal year 2015 (net of accumulated depreciation). This investment includes furniture, fixtures and office equipment. Additional information on the Council's capital assets can be found in Note 4 of this report.

**Long-Term Debt**

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

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

<u>Governmental Activities</u>	<u>12/31/16</u>	<u>12/31/15</u>
Compensated Absences Payable	\$ 5,088	\$ 7,218
USDA Rural Development Loan Payable	213,053	231,305
USDA Rural Development Loan Payable #2	277,110	294,728
Capital Lease Payable	5,311	6,929
Total Long-Term Liabilities	<u>\$ 500,562</u>	<u>\$ 540,180</u>

**SOURIS BASIN PLANNING COUNCIL**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
AS OF DECEMBER 31, 2016

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

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

For 2017:

- The Council budgeted a 10% average for staff salary increases to offer more competitive salaries to employees. Staff salary increases will be included in each annual budget moving forward if funding is available. Salary increases are based on funds available and personnel reviews.
- The Council relies on administration of projects from Community Development Block Grant (CDBG) projects as well as the Economic Development Administration (EDA) projects. Several of the EDA projects are scheduled to be closed out in 2017, which may reduce 2018 revenues. The Council continues to seek projects for the benefit of the region from other federal and private resources.
- The Council continues to increase its revenue potential by serving as the fiscal manager for area non-profits.

These indicators are considered when adopting the Council budget for 2017. The Council has added the SBPC Housing Rehab Program to the 2017 budget and will continue to seek future funding to assist the region with low-income housing rehabilitation, in the form of grants.

**CONTACTING THE COUNCIL'S FINANCIAL MANAGEMENT**

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

**SOURIS BASIN PLANNING COUNCIL**  
**STATEMENT OF NET POSITION**  
**AS OF DECEMBER 31, 2016**

<b>CURRENT ASSETS</b>	
Cash	\$ 576,474
Accounts receivable	58,298
Accrued interest	7,502
Prepaid expenses	4,559
Current portion of notes receivable	264,088
Total current assets	910,921
<b>CAPITAL ASSETS, NET</b>	
	5,096
<b>OTHER ASSETS</b>	
Notes receivable, net of current portion and allowance of \$100,000	1,152,498
Cash restricted for loan loss reserve and debt service	36,390
Total other assets	1,188,888
Total assets	2,104,905
<b>LIABILITIES AND NET POSITION</b>	
<b>CURRENT LIABILITIES</b>	
Current portion of long-term debt	36,228
Current portion of capital lease	1,691
Accounts payable	368
Accrued liabilities	4,820
Total current liabilities	43,107
<b>LONG-TERM LIABILITIES</b>	
Compensated absences payable	5,088
Notes payable, net of current portion	453,935
Capital lease obligations payable, net of current portion	3,620
Total long-term liabilities	462,643
Total liabilities	505,750
<b>NET POSITION</b>	
Net invested in capital assets	(215)
Restricted	
Loan programs	1,385,833
Unrestricted	213,537
Total net position	\$ 1,599,155

See Notes to the Financial Statements

**SOURIS BASIN PLANNING COUNCIL**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Program Activities	Expenses	Indirect Expense Allocation	Program Revenues		Net Revenue (Expense) and Changes in Net Position
			Fees, Fines & Charges for Services	Operating Grants & Contributions	
Governmental activities					
General government	\$ 75,297	\$ (75,297)	\$ -	\$ -	\$ -
Economic development	228,937	62,171	185,008	73,365	(32,735)
Lending programs	121,492	13,126	81,317	-	(53,301)
<b>Total governmental activities</b>	<b>\$ 425,726</b>	<b>\$ -</b>	<b>\$ 266,325</b>	<b>\$ 73,365</b>	<b>\$ (86,036)</b>
General revenues					
Joint powers agreement					\$ 45,829
Mileage assessments					7,058
Interest income					1,106
Miscellaneous					29,732
<b>Total general revenues</b>					<b>83,725</b>
Change in net position					(2,311)
Net position, January 1, 2016					1,601,466
<b>Net position, December 31, 2016</b>					<b>\$ 1,599,155</b>

See Notes to the Financial Statements

**SOURIS BASIN PLANNING COUNCIL**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**AS OF DECEMBER 31, 2016**

ASSETS	General	Major Funds Revolving Loan Fund	Intermediary Relending	Total Governmental Funds
<b>CURRENT ASSETS</b>				
Cash	\$ 159,305	\$ 315,867	\$ 101,302	\$ 576,474
Accounts receivable	58,298	-	-	58,298
Accrued interest	-	4,968	2,534	7,502
Prepaid expenses	4,532	17	10	4,559
Total current assets	222,135	320,852	103,846	646,833
<b>OTHER ASSETS</b>				
Cash restricted for loan loss reserve and debt service	-	-	36,390	36,390
Total assets	\$ 222,135	\$ 320,852	\$ 140,236	\$ 683,223
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	368	\$ -	\$ -	\$ 368
Accrued liabilities	3,142	-	1,678	4,820
Total current liabilities	3,510	-	1,678	5,188
<b>FUND BALANCES</b>				
Nonspendable	4,532	17	10	4,559
Unrestricted	214,093	-	-	214,093
Restricted				
Loan program	-	320,835	-	320,835
Loan loss reserve	-	-	36,390	36,390
Debt service	-	-	102,158	102,158
Total fund balances	218,625	320,852	138,558	678,035
Total liabilities and fund balances	\$ 222,135	\$ 320,852	\$ 140,236	\$ 683,223

See Notes to the Financial Statements

**SOURIS BASIN PLANNING COUNCIL**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**AS OF DECEMBER 31, 2016**

Total Governmental Funds Balance		\$ 678,035
Total net position reported for governmental activities in the statement of net position is different because:		
Notes receivable are not receivable in the current period and are not reported as fund assets. All receivables, both current and long-term, are reported in the statement of net position.		
Notes receivable, net of allowance for uncollectible accounts		1,416,586
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost of capital assets	\$ 16,557	
Less accumulated depreciation	<u>(11,461)</u>	
Net capital assets		5,096
Long-term liabilities applicable to the Council's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.		
Compensated absences payable	5,088	
USDA Rural Development debt	490,163	
Capital lease obligation	<u>5,311</u>	
Long-term liabilities		<u>(500,562)</u>
Net Position of Governmental Activities		<u>\$1,599,155</u>

See Notes to the Financial Statements

**SOURIS BASIN PLANNING COUNCIL**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Major Funds			Total Governmental Funds
	General	Revolving Loan Fund	Intermediary Relending Program	
<b>REVENUES</b>				
Federal sources				
EDA planning grant	\$ 66,000	\$ -	\$ -	\$ 66,000
CDBG administration	7,365	-	-	7,365
State & local sources				
Project administration	222,086	-	-	222,086
Joint powers agreements	45,829	-	-	45,829
Mileage assessments	7,058	-	-	7,058
Interest income	90	869	147	1,106
Miscellaneous income	35,107	1,081	461	36,649
Principal payments on loans	-	382,928	58,436	441,364
Interest on loans	-	44,404	29,997	74,401
<b>Total revenues</b>	<b>383,535</b>	<b>429,282</b>	<b>89,041</b>	<b>901,858</b>
<b>EXPENDITURES</b>				
Current:				
Salaries & fringe	220,560	25,699	18,907	265,166
Travel	2,752	587	225	3,564
Supplies & printing	13	-	-	13
Administrative expense	-	22,828	14,251	37,079
Miscellaneous	6,043	175	301	6,519
Indirect	63,594	7,803	5,796	77,193
New loans	-	323,750	11,000	334,750
<b>Total current expenditures</b>	<b>292,962</b>	<b>380,842</b>	<b>50,480</b>	<b>724,284</b>
Debt service:				
Rural Development - interest	-	-	5,148	5,148
Rural Development - principal	-	-	35,870	35,870
<b>Total debt service expenditures</b>	<b>-</b>	<b>-</b>	<b>41,018</b>	<b>41,018</b>
<b>Total expenditures</b>	<b>292,962</b>	<b>380,842</b>	<b>91,498</b>	<b>765,302</b>
<b>EXCESS REVENUE OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>90,573</b>	<b>48,440</b>	<b>(2,457)</b>	<b>136,556</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Fund transfers	(58,205)	33,502	24,703	-
<b>Total other financing source and uses</b>	<b>(58,205)</b>	<b>33,502</b>	<b>24,703</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>32,368</b>	<b>81,942</b>	<b>22,246</b>	<b>136,556</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>186,257</b>	<b>238,910</b>	<b>116,312</b>	<b>541,479</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 218,625</b>	<b>\$ 320,852</b>	<b>\$ 138,558</b>	<b>\$ 678,035</b>

See Notes to the Financial Statements



**SOURIS BASIN PLANNING COUNCIL**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Net Change in Fund Balances - Total Governmental Funds \$ 136,556

The change in net position reported for governmental activities in the statement of activities is different because:

Payments on notes receivable are reported as revenues in the governmental funds, but the repayment reduces the notes receivable in the statement of net position. The amount of principal payments received on notes receivable is: (441,364)

Amounts advanced on notes receivable are reported as expenses in the governmental funds, but the disbursements increase the notes receivable in the statement of net position. The amount of principal advanced on notes receivable is: 334,750

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds. The amount of depreciation expense for the current year is: (1,698)

Payment of principal on debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The amount of principal paid on USDA Rural Development debt is: 35,870

Payment of principal on capital lease obligations payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The amount of principal paid on capital lease obligations payable is: 1,617

The change in allowance for doubtful accounts does not provide or use current financial resources and therefore, is not reported in the governmental funds. The amount of the change is: (70,172)

The change in compensated absences payable does not provide or use current financial resources and therefore, is not reported in the governmental funds. The amount of the change is: 2,130

Total Net Position of Governmental Activities \$ (2,311)

See Notes to the Financial Statements

**SOURIS BASIN PLANNING COUNCIL**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS**  
**AS OF DECEMBER 31, 2016**

Cash & Cash Equivalents	\$ 14,296
Total assets	<u>\$ 14,296</u>
Due to Grant Recipients	\$ 14,296
Total liabilities	<u>\$ 14,296</u>

See Notes to the Financial Statements

**SOURIS BASIN PLANNING COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2016**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

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

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

**SOURIS BASIN PLANNING COUNCIL**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
AS OF DECEMBER 31, 2016

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

Following is a summary of the more significant policies:

**Reporting Entity**

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

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

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

**Basis of Presentation**

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

**SOURIS BASIN PLANNING COUNCIL**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
AS OF DECEMBER 31, 2016

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

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

The Council reports the following major governmental funds:

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

Revolving Loan Fund – The Revolving Loan Fund was established to provide loans to entities through federal and donated funds. As loans are repaid, the revolved funds are loaned.

Intermediary Relending Program Fund – The Intermediary Relending Program provides loans to entities through a federal loan and local match. As loans are repaid, the revolved funds are loaned.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

**SOURIS BASIN PLANNING COUNCIL**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
AS OF DECEMBER 31, 2016

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

**Budgets**

The budget is prepared for the general special revenue funds in total on the modified accrual basis of accounting using the current financial resources measurement focus. The board approves the final budget. All annual appropriations lapse at year-end.

**Cash and Investments/Deposits**

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

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

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

**Restricted Cash**

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

**SOURIS BASIN PLANNING COUNCIL**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
AS OF DECEMBER 31, 2016

**Capital Assets**

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

Furniture and Fixtures	7 years
Office and Computer Equipment	5 years

**Notes Receivable and Allowance for Bad Debts**

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

Loans are stated at unpaid principal balances, less an allowance for loan losses. The allowance for loan losses is estimated based on the Council's anticipated uncollectible balances based on historical write-offs and the financial stability of its clients. An allowance of \$100,000 for bad debts has been established for the Revolving Loan Fund (RLF). No allowance for bad debts has been estimated for the Intermediary Relending Program loans. Since inception, the RLF has written off \$297,202. There have been no write-offs on the Intermediary Relending Program (IRP) loans since inception. Management believes the estimated allowance for the RLF is adequate and that all IRP loans are collectible. The Council is required by USDA to establish a loan loss reserve for the IRP loans and these are reported as restricted fund balances. Notes considered uncollectible are liquidated and any amount remaining is charged-off.

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

There were no changes in the Council's accounting policies during the year. There have been no purchases, sales, or reclassifications of notes receivable.

**Compensated Absences**

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

**Indirect Costs**

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

**Advertising Costs**

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

**SOURIS BASIN PLANNING COUNCIL**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
AS OF DECEMBER 31, 2016

**Tax-Exempt Status**

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

**Use of Estimates**

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

**Encumbrance Accounting**

Encumbrances are commitments related to unperformed contracts for goods and services that may be recorded for budgetary control purposes. The Council does not record encumbrances.

**Net Position**

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

**Fund Balance Classifications**

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



**SOURIS BASIN PLANNING COUNCIL**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
AS OF DECEMBER 31, 2016

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

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

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

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

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

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

**NOTE 2      DEPOSITS**

At December 31, 2016, the carrying amount of deposits was \$576,474, and the bank balances was \$643,986. Of the bank balances, \$557,625 was covered by Federal Depository Insurance and \$86,361 was collateralized with securities held by the pledging financial institutions' agents but not in the Council's name. Management periodically reviews the pledges of securities.

**SOURIS BASIN PLANNING COUNCIL**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
AS OF DECEMBER 31, 2016

**NOTE 3      NOTES RECEIVABLE**

Souris Basin Planning Council provides loans to businesses and local governments in its region for start-up, expansion and capital improvements. The Council has two separate loan programs consisting of the following:

Intermediary Relending Program	
loans bearing interest from 4.00% to 5.70%, with maturity dates ranging from 2017 through 2026, secured with personal guarantees, inventory, property, and equipment.	\$    559,056
Revolving Loan Fund	
loans bearing interest from 4.00% to 6.00%, with a maturity dates ranging from 2017 through 2026 secured with personal guarantees, inventory, property and equipment.	<u>957,530</u>
Total notes receivable	1,516,586
Current portion of notes receivable	<u>(264,088)</u>
Total long-term notes receivable	<u><u>\$ 1,252,498</u></u>

*Revolving Loan Fund* – The Revolving Loan Fund (RLF) was established to provide loans to entities through federal and donated funds. The Council has established an allowance for bad debts of \$100,000 for the RLF as of December 31, 2016.

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

The Council is required to repay the original IRP grant funds to USDA.

Future maturities of the notes receivable are as follows:

2017	\$	264,088
2018		244,536
2019		197,683
2020		168,453
2021		246,537
Thereafter		<u>395,289</u>
		<u><u>\$ 1,516,586</u></u>

**SOURIS BASIN PLANNING COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2016**

The following table presents information data by class of financing receivable regarding their age and interest accrual status at December 31, 2016:

Past Due				
12/31/16	30 - 59 Days	60 - 89 Days	> 90 Days	Total Past Due
RLF	\$ -	\$ 2,956	\$ -	\$ 2,956
IRP	-	-	-	-
	\$ -	\$ 2,956	\$ -	\$ 2,956

**NOTE 4 CAPITAL ASSETS**

Following is a summary of changes in capital assets for the year ended December 31, 2016:

	Balance 1/1/2016	Additions	Deletions	Balance 12/31/16
Office equipment and software	\$ 16,557	\$ -	\$ -	\$ 16,557
Accumulated depreciation	(9,763)	(1,698)	-	(11,461)
Governmental capital assets, net	\$ 6,794	\$ (1,698)	\$ -	\$ 5,096

Depreciation expense of \$1,698 was charged to the economic development program on the statement of activities during 2016.

**SOURIS BASIN PLANNING COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2016**

**NOTE 5      LONG-TERM LIABILITIES**

Long-term debt is comprised of the following:

\$500,000, 1.00% IRP #1 note payable to USDA Rural Development, due in annual installments of \$20,565, including interest, through November 2027, at which time the balance is due, secured by notes receivable with a carrying value of \$606,493. \$    213,053

\$500,000, 1.00% IRP #2 & #3 note payable to USDA Rural Development, due in annual installments of \$20,565, including interest through June 2031, at which time the balance is due, secured by notes receivable with a carrying value of \$606,493. 277,110  
490,163

Less: current maturities included in long-term debt (36,228)

Total long-term debt \$    453,935

Long-term debt is expected to mature as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$    36,228	\$    4,902	\$    41,130
2018	36,591	4,539	41,130
2019	36,957	4,173	41,130
2020	37,326	3,804	41,130
2021	37,699	3,431	41,130
2022-2026	194,228	11,422	205,650
2027-2031	111,134	2,764	113,898
	<u>\$    490,163</u>	<u>\$    35,035</u>	<u>\$    525,198</u>

**SOURIS BASIN PLANNING COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2016**

Changes in long-term liabilities for the year are as follows:

	Balance 1/1/2016	Increases	Decreases	Balance 12/31/16	Due Within One Year
IRP #1 USDA note payable	\$ 231,305	\$ -	\$ (18,252)	\$ 213,053	\$ 18,434
IRP #2 & #3 USDA note payable	294,728	-	(17,618)	277,110	17,794
Compensated absences*	7,218	-	(2,130)	5,088	-
Capital lease obligation	6,929	-	(1,618)	5,311	1,691
<b>Total long-term liabilities</b>	<b><u>\$ 540,180</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (39,618)</u></b>	<b><u>\$ 500,562</u></b>	<b><u>\$ 37,919</u></b>

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

Compensated absences will be paid by the general fund.

Interest paid in 2016 on the USDA Rural Development loans was \$5,148.

**NOTE 6 PENSION PLAN**

In October 2008, the Council set up a 401(k) plan with the Mass Mutual matching employee contributions up to 6% of employee gross wages. Once invested in the plans, the funds belong to the employee and as such the value of the accounts are not reflected in the Council's records. The expense to the Council for the year ended December 31, 2016 was \$11,199.

**NOTE 7 LEASES**

On August 2, 2013, the Council entered into a seven-year lease which is to expire in August 2020. The new lease requires rent of \$2,500 per month for the first four years. In the fifth year, the rent is to be \$2,575 per month, the sixth year is to be \$2,652 per month, and the seventh year is renegotiated. Total rent expense paid in 2016 was \$30,000.

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

2017	\$ 30,000
2018	30,375
2019	31,285
2020	31,824
2019	18,564
	<u>\$ 142,048</u>

**SOURIS BASIN PLANNING COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2016**

The Council leases a digital copier under a capital lease which expires December 15, 2019. The asset and liability under the capital lease is recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The asset is amortized over the lower of its related lease terms or its estimated productive life. Amortization of the asset under the capital lease is included in depreciation expense for 2016.

The following is a summary of equipment held under capital lease at December 31, 2016:

Capital lease obligation	\$ 6,929
Less: accumulated amortization	<u>(1,617)</u>
Capital lease obligation, net	<u>\$ 5,312</u>

The lease calls for monthly payments of \$158. A summary of future minimum lease payments is as follows:

Year ending December 31,	Gross Payments	Interest/Tax	Net Payments
2017	\$ 1,896	\$ 205	\$ 1,691
2018	1,896	127	1,769
2019	<u>1,896</u>	<u>45</u>	<u>1,851</u>
	<u>\$ 5,688</u>	<u>\$ 377</u>	<u>\$ 5,311</u>

**NOTE 8 RESTRICTED NET POSITION/RESTRICTED FUND BALANCES**

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

**NOTE 9 RISK MANAGEMENT**

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

**SOURIS BASIN PLANNING COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2016**

**NOTE 10 EXPENDITURES IN EXCESS OF BUDGET**

For the year ended December 31, 2016, the expenditures of the Revolving Loan Fund exceeded the budget because they loaned out more than anticipated and because their budget did not include a line item for salaries & fringe benefits. Also, the Intermediary Relending Programs exceeded their budget because they loaned out more than anticipated, their budgets did not include a line item for administrative expenses, and the cost of salaries and fringe benefits were higher than budgeted. Excess expenses of the programs are covered by the General Fund. No remedial action is anticipated.

**NOTE 11 FUND TRANSFERS**

The fund transfers on the statement of revenues, expenditures, and changes in fund balances arise because the RLF and IRP programs are limited in the amount of expenditures based on the loan interest and loan fees collected. Expenditures in excess of the allowable amount are funded by the General Fund through the transfer amounts. Transfers are comprised of the following:

	General	Revolving Loan Fund	Intermediary Relending Program
Salaries & fringe	\$ (44,606)	\$ 25,699	\$ 18,907
Indirect expenses	(13,599)	7,803	5,796
	\$ (58,205)	\$ 33,502	\$ 24,703

**NOTE 12 NEW ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67 and No. 73*, provides further guidance regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement amends GASB Statements No. 67 and No. 68 to require the presentation of covered payroll to be defined as the payroll on which contributions to a pension plan are based, rather than the payroll of employees that are provided with pensions through the pension plan. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and

**SOURIS BASIN PLANNING COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2016**

postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, provides guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. This Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt. In addition, this Statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance. This Statement is effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

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

**NOTE 13      SUBSEQUENT EVENTS**

No significant events occurred subsequent to the Council's year end. The Council has evaluated subsequent events through September 5, 2017, the date which these financial statements were available to be issued.



**REQUIRED SUPPLEMENTARY INFORMATION**

**SOURIS BASIN PLANNING COUNCIL**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Federal sources				
EDA planning grant	\$ 66,000	\$ 66,000	\$ 66,000	\$ -
CDBG administration	7,318	7,318	7,365	47
State & local sources				
Project administration	152,750	152,750	222,086	69,336
Joint powers agreements	45,828	45,828	45,829	1
Mileage assessments	7,400	7,400	7,058	(342)
Interest income	100	100	90	(10)
Loan Origination Fees	2,684	2,684	4,053	1,369
Loan Application Fees	600	600	1,400	800
Miscellaneous income	10,000	10,000	29,654	19,654
<b>Total revenues</b>	<b>292,680</b>	<b>292,680</b>	<b>383,535</b>	<b>90,855</b>
<b>EXPENDITURES</b>				
Salaries & fringe	301,334	301,334	220,560	80,774
Travel	-	-	2,752	(2,752)
Supplies & printing	-	-	13	(13)
Miscellaneous	-	-	6,043	(6,043)
Indirect	81,751	81,751	63,594	18,157
<b>Total Expenditures</b>	<b>383,085</b>	<b>383,085</b>	<b>292,962</b>	<b>90,123</b>
<b>EXCESS REVENUE OVER (UNDER) EXPENDITURES</b>	<b>(90,405)</b>	<b>(90,405)</b>	<b>90,573</b>	<b>180,978</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Fund transfers	-	-	(58,205)	(58,205)
Total other financing source and uses	-	-	(58,205)	(58,205)
<b>Net change in fund balances</b>	<b>(90,405)</b>	<b>(90,405)</b>	<b>32,368</b>	<b>122,773</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>186,257</b>	<b>186,257</b>	<b>186,257</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 95,852</b>	<b>\$ 95,852</b>	<b>\$ 218,625</b>	<b>\$ 122,773</b>

See Note to the Required Supplementary Information

**SOURIS BASIN PLANNING COUNCIL**  
**BUDGETARY COMPARISON SCHEDULE**  
**REVOLVING LOAN FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
State & local sources				
Interest income	\$ 80	\$ 80	\$ 869	\$ 789
Miscellaneous income	-	-	1,081	1,081
Principal payments on loans	205,800	205,800	382,928	177,128
Interest on loans	50,800	50,800	44,404	(6,396)
<b>Total revenues</b>	<u>256,680</u>	<u>256,680</u>	<u>429,282</u>	<u>172,602</u>
<b>EXPENDITURES</b>				
Current:				
Salaries & fringe	-	-	25,699	(25,699)
Administration	30,700	30,700	22,828	7,872
Travel	1,000	1,000	587	413
Miscellaneous	1,050	1,050	175	875
Indirect	-	-	7,803	(7,803)
New loans	170,000	170,000	323,750	(153,750)
<b>Total current expenditures</b>	<u>202,750</u>	<u>202,750</u>	<u>380,842</u>	<u>(178,092)</u>
<b>Total Expenditures</b>	<u>202,750</u>	<u>202,750</u>	<u>380,842</u>	<u>(178,092)</u>
<b>EXCESS REVENUE OVER (UNDER) EXPENDITURES</b>	<u>53,930</u>	<u>53,930</u>	<u>48,440</u>	<u>(5,490)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Fund transfers	-	-	33,502	33,502
<b>EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>53,930</u>	<u>53,930</u>	<u>81,942</u>	<u>28,012</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	238,910	238,910	238,910	-
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 292,840</u>	<u>\$ 292,840</u>	<u>\$ 320,852</u>	<u>\$ 28,012</u>

See Note to the Required Supplementary Information

**SOURIS BASIN PLANNING COUNCIL**  
**BUDGETARY COMPARISON SCHEDULE**  
**INTERMEDIARY RELENDING PROGRAM**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
State & local sources				
Interest income	\$ 183	\$ 183	\$ 147	\$ (36)
Miscellaneous income	200	200	461	261
Principal payments on loans	63,744	63,744	58,436	(5,308)
Interest on loans	28,578	28,578	29,997	1,419
Total revenues	92,705	92,705	89,041	(3,664)
<b>EXPENDITURES</b>				
Current:				
Salaries & fringe	2,000	2,000	18,907	(16,907)
Administration	-	-	14,251	(14,251)
Travel	400	400	225	175
Miscellaneous	300	300	301	(1)
Indirect	700	700	5,796	(5,096)
New loans	-	-	11,000	(11,000)
Total current expenditures	3,400	3,400	50,480	(47,080)
Debt Service:				
Rural Development - interest	-	-	5,148	(5,148)
Rural Development - principal	41,130	41,130	35,870	5,260
Total debt service expenditures	41,130	41,130	41,018	112
Total expenditures	44,530	44,530	91,498	(46,968)
<b>EXCESS REVENUE OVER (UNDER) EXPENDITURES</b>	48,175	48,175	(2,457)	(50,632)
<b>OTHER FINANCING SOURCES (USES)</b>				
Fund transfers	-	-	24,703	24,703
<b>EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	48,175	48,175	22,246	(25,929)
FUND BALANCE, BEGINNING OF YEAR	116,312	116,312	116,312	-
FUND BALANCE, END OF YEAR	\$ 164,487	\$ 164,487	\$ 138,558	\$ (25,929)

See Note to the Required Supplementary Information

**SOURIS BASIN PLANNING COUNCIL**  
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 1 BUDGET**

Based upon available financial information and requests by the governing board, the Executive Director and Finance Manager prepare the preliminary Council budget. The Council budget is prepared for the general fund, revolving loan fund and intermediary relending program by function and activity on the modified accrual basis of accounting. The budget is approved by the governing board. Annual appropriations lapse at the end of the fiscal year.



CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

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

To the Board of Directors  
Souris Basin Planning Council  
Minot, 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 remaining fund information of Souris Basin Planning Council (a nonprofit organization), as of and for the year ended December 31, 2016 and the related notes to the financial statements, which collectively comprise Souris Basin Planning Council's basic financial statements and have issued our report thereon dated September 5, 2017.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2016-001 and 2016-002 that we consider to be material weaknesses.

## **Compliance and Other Matters**

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

## **Souris Basin Planning Council's Response to Findings**

Souris Basin Planning Council's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Souris Basin Planning Council's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

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



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

September 5, 2017



CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

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

To the Board of Directors  
Souris Basin Planning Council  
Minot, North Dakota

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

We have audited Souris Basin Planning Council's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Souris Basin Planning Council's major federal programs for the year ended December 31, 2016. Souris Basin Planning Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Souris Basin Planning 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* 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 Souris Basin Planning 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 Souris Basin Planning Council's compliance.



### ***Opinion on Each Major Federal Program***

In our opinion, the Souris Basin Planning 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 December 31, 2016.

### **Report on Internal Control Over Compliance**

Management of Souris Basin Planning 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 Souris Basin Planning 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 Souris Basin Planning 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 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.



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

September 5, 2017

**SOURIS BASIN PLANNING COUNCIL**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>Federal Grantor/Pass-Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
U.S. Department of Agriculture, Rural Development Intermediary Relending Program	10.767	\$ 490,163
U.S. Department of Commerce, Economic Development Administration Public Works		
Economic Adjustment Assistance - Economic Development Cluster	11.307	961,281
Economic Development - Support for Planning Organizations	11.302	92,381
Department of Housing and Urban Development, ND Division of Community Services		
Community Development Block Grants	14.228	<u>63,729</u>
Total Federal Expenditures		<u><u>\$ 1,607,554</u></u>

See Notes to the Schedule of Expenditures of Federal Awards

**SOURIS BASIN PLANNING COUNCIL**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Souris Basin Planning Council under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Souris Basin Planning Council, it is not intended to and does not present the financial statements of the governmental activities, each major fund, and remaining fund information of Souris Basin Planning Council.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Government*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to requirement. Souris Basin Planning Council has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3 OUTSTANDING LOANS**

The Council has the following outstanding federal loans. These loan balances outstanding are also included in the federal expenditures presented in the schedule due to ongoing compliance requirements.

	Federal CFDA Number	Balance Outstanding
Intermediary Relending Program	10.767	\$ 490,163

**NOTE 4 LOAN PROGRAMS**

The Council manages two federal loan programs, the Revolving Loan Fund (EDA) and the Intermediary Relending Program (USDA). Federal expenditures for the Intermediary Relending Program is the outstanding loan balance as of year-end, which is listed in Note 3 above. The following is the calculation of the federal expenditures for the Revolving Loan Fund:

End of year loan balances	\$ 957,531
End of year cash balances	315,867
Current year loan expenses	-
Current year loans written off	-
Current year administrative expenses	22,828
Total expenditures	1,296,226
Federal percentage	74.16%
Total federal expenditures	\$ 961,281

**SOURIS BASIN PLANNING COUNCIL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**Section I-Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unmodified  
Internal control over financial reporting:  
Material weakness(es) identified?   x   yes    no  
Significant Deficiency(ies) identified that are  
not considered to be material weakness(es)?    yes   x   none  
  
Noncompliance material to financial  
statements noted?    yes   x   no

Federal Awards

Internal control over major programs:  
Material weakness(es) identified?    yes   x   no  
Significant Deficiency(ies) identified that are  
not considered to be material weakness(es)?    yes   x   none

Type of auditor's report issued on compliance  
for major programs: Unmodified  
  
Any audit findings disclosed that are  
required to be reported in accordance with  
the 2 CFR 200.516(a).    yes   x   no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
11.307	Economic Adjustment Assistance – Economic Development Administration

Dollar threshold used to distinguish  
between Type A and Type B programs: \$750,000  
  
Auditee qualified as low-risk auditee?    yes   x   no

**SOURIS BASIN PLANNING COUNCIL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**Section II – Financial Statement Findings**

**2016-001**

Criteria

The Council does not have the internal resources to identify all journal entries required to maintain a general ledger and prepare the full-disclosure financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP).

Condition

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

Cause

The Council does not have the internal expertise needed to handle all aspects of the external financial reporting.

Effect

The Council's management is aware of the deficiency and addresses it by reviewing and approving the completed statements prior to distribution to the end users.

Recommendation

For entities of the Council's size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting.

Views of Responsible Officials and Planned Corrective Actions

The Council recognizes the deficiency and believes it is effectively handling the reporting responsibilities with the procedures described above.

**SOURIS BASIN PLANNING COUNCIL**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2016

**2016-002**

Criteria

Generally, an appropriate system of internal control has the proper separation of duties between authorization, custody, record keeping, and reconciliation functions.

Condition

The Council has one person responsible for most accounting functions.

Cause

The Council has a limited number of staff available due to the size of the organization.

Effect

Under the current system, one individual has the ability to collect monies, deposit monies, issue checks, enter new customers, prepare customer's invoices, receive and post customers payments, and reconcile the Council's bank accounts.

Recommendation

While the Council does have some monitoring controls in place, we recommend that the Council review its current process to determine if the monitoring controls can be expanded and if any segregation controls can be economically implemented.

View of responsible officials and corrective actions

Due to the small size of the Council, it is not cost effective for the Council to properly address this significant control deficiency. Many checks and balances are in place to ensure proper handling of funds. The Finance Manager responsible for accounting functions has no signing capabilities. All outgoing checks are reviewed multiple times by the Executive Director before being issued. Check and bills are reviewed on a monthly basis by employees or Board members other than the Finance Manager and Executive Director. The Executive Director and two Board members review monthly bank registers and reconciliations to ensure accurate financial reporting.

**SOURIS BASIN PLANNING COUNCIL**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**2015-001**

Criteria

The Council does not have the internal resources to identify all journal entries required to maintain a general ledger and prepare the full-disclosure financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP).

Condition

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

Cause

The Council does not have the internal expertise needed to handle all aspects of the external financial reporting.

Effect

The Council's management is aware of the deficiency and addresses it by reviewing and approving the completed statements prior to distribution to the end users.

Recommendation

For entities of the Council's size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting.

Corrective Action Taken

See current year finding 2016-001

**SOURIS BASIN PLANNING COUNCIL**  
**SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**2015-002**

Criteria

Generally, an appropriate system of internal control has the proper separation of duties between authorization, custody, record keeping, and reconciliation functions.

Condition

The Council has one person responsible for most accounting functions.

Cause

The Council has a limited number of staff available due to the size of the organization.

Effect

Under the current system, one individual has the ability to collect monies, deposit monies, issue checks, enter new customers, prepare customer's invoices, receive and post customers payments, and reconcile the Council's bank accounts.

Recommendation

While the Council does have some monitoring controls in place, we recommend that the Council review its current process to determine if the monitoring controls can be expanded and if any segregation controls can be economically implemented.

Corrective Action Taken

See current year finding 2016-002



**SOURIS BASIN PLANNING COUNCIL**  
SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2016

**2015-003**

Criteria

RLF recipients selecting to use either 50 percent or more (or more than \$100,000) of RLF income to cover all or part of an RLF's administrative expenses in that same 6 month period (ending September 30 or March 31) must submit a Form ED-209I report through the EDA's Revolving Loan Management System. (13 CFR sections 307.14 (a) and (c)).

Condition

The Council did not timely file the September 30 or March 31 Form ED-209I.

Questioned Costs

None

Cause

The Council does not have a system in place to ensure all required reports are filed.

Effect

The Council is not in compliance with reporting for the Revolving Loan Funds.

Recommendation

We recommend internal controls over submission of the Form ED-209I be implemented to ensure timely reporting.

Corrective Action Taken

The Council has controls in place to ensure the submission of the ED-209I forms in a timely manner, when necessary. All ED-209I forms were timely filed in the current year.

**SOURIS BASIN PLANNING COUNCIL**  
SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2016

**2015-004**

Criteria

To be in compliance with reporting requirements, the Council's audited financial statements are to be completed within nine months of its fiscal year end.

Condition

The Council's December 31, 2014 audited financial statements were not completed within nine months of the Council's year end.

Questioned Costs

None

Cause

The audit was not started early enough to be completed by the deadline.

Effect

The Council is not in compliance with the reporting requirements.

Recommendation

A timeline should be implemented to ensure the Council completes its audited financial statements within nine months of its year end.

Corrective Action Taken

The Council has been in communication with the independent auditors to ensure the timely completion of the audited financial statements.

**SOURIS BASIN PLANNING COUNCIL**  
**CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**2016-001**

Contact Person – Lyndsay Ulrickson

Corrective Action Plan – Due to the small size of the Council, it is not cost effective for the Council to properly address this significant deficiency.

Completion Date – December 31, 2016

**2016-002**

Contact Person – Lyndsay Ulrickson

Corrective Action Plan – Due to the small size of the Council, it is not cost effective for the Council to properly address this significant deficiency.

Completion Date – December 31, 2016

**SOURIS BASIN PLANNING COUNCIL**  
**SCHEDULE OF REVENUES AND EXPENDITURES BY PROJECT**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Council	EDA Planning Grant	EDA - Burlington	EDA Downtown	EDA - North Hill	Pierce County Rehab	CDBG	Strengthen ND	Total
<b>REVENUES</b>									
Federal grants	\$ -	\$ 66,000	\$ -	\$ -	\$ -	\$ -	\$ 7,365	\$ -	\$ 73,365
Project administration	45,828	-	7,950	18,234	7,306	8,254	123,814	10,700	222,086
Joint powers agreements	45,829	-	-	-	-	-	-	-	45,829
Mileage assessments	7,058	-	-	-	-	-	-	-	7,058
Interest income	90	-	-	-	-	-	-	-	90
Miscellaneous income	35,107	-	-	-	-	-	-	-	35,107
<b>Total revenues</b>	<b>133,912</b>	<b>66,000</b>	<b>7,950</b>	<b>18,234</b>	<b>7,306</b>	<b>8,254</b>	<b>131,179</b>	<b>10,700</b>	<b>383,535</b>
<b>EXPENDITURES</b>									
Salaries & fringe	756	103,293	4,039	14,027	4,404	7,988	80,317	5,736	220,560
Travel	-	2,302	-	-	-	164	286	-	2,752
Supplies & printing	13	-	-	-	-	-	-	-	13
Miscellaneous	2,173	-	187	-	-	211	3,472	-	6,043
Indirect	(140)	29,328	1,304	4,112	1,285	2,914	23,255	1,536	63,594
<b>Total expenditures</b>	<b>2,802</b>	<b>134,923</b>	<b>5,530</b>	<b>18,139</b>	<b>5,689</b>	<b>11,277</b>	<b>107,330</b>	<b>7,272</b>	<b>292,962</b>
<b>Excess of revenues over (under) expenditures</b>	<b>\$ 131,110</b>	<b>\$ (68,923)</b>	<b>\$ 2,420</b>	<b>\$ 95</b>	<b>\$ 1,617</b>	<b>\$ (3,023)</b>	<b>\$ 23,849</b>	<b>\$ 3,428</b>	<b>\$ 90,573</b>