

**MO-KAN REGIONAL COUNCIL
ST. JOSEPH, MISSOURI
BASIC FINANCIAL STATEMENTS
(With Independent Auditors'
Reports Thereon)
JUNE 30, 2018**

**MO-KAN REGIONAL COUNCIL
ST. JOSEPH, MISSOURI**

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SECTION I
BASIC FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

October 30, 2018

Board of Directors
Mo-Kan Regional Council
St. Joseph, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Mo-Kan Regional Council (the Council) as of and for the year ended June 30, 2018, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 and each major fund of Mo-Kan Regional Council as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

The budgetary comparison information on page 14 is presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in the appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental 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 financial statements, and other knowledge we obtained during our audit of the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mo-Kan Regional Council's financial statements. The supplemental information on pages 16 through 18 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on page 15 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 also is not a required part of the basic financial statements.

The supplementary information 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 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 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 information is 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 a report October 30, 2018, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. 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 Council's internal control over financial reporting and compliance.

Arthur White & Associates, L.L.C.
ARTHUR WHITE & ASSOCIATES, L.L.C.

**MO-KAN REGIONAL COUNCIL
ST. JOSEPH, MISSOURI**

**STATEMENT OF NET POSITION
JUNE 30, 2018**

	<u>Governmental Activities</u>
<u>ASSETS</u>	
CURRENT ASSETS:	
Cash	\$ 981,048
Accounts receivable	94,250
Accounts receivable - related party	3,330
Prepaid insurance	3,364
Current portion of notes receivable	<u>11,365</u>
Total current assets	<u>1,093,357</u>
NONCURRENT ASSETS:	
Capital assets (net of accumulated depreciation)	24,579
Long-term notes receivable, net of current portion	<u>822,458</u>
Total noncurrent assets	<u>847,037</u>
TOTAL ASSETS	<u>\$ 1,940,394</u>
<u>LIABILITIES AND NET POSITION</u>	
CURRENT LIABILITIES:	
Accounts payable	\$ 36,995
Payroll liabilities	1,772
Escrow deposits	6,924
Compensated absences	<u>26,291</u>
Total current liabilities	<u>71,982</u>
NET POSITION:	
Net Investment in capital assets	24,579
Unrestricted net position	864,089
Restricted net position	<u>979,744</u>
Total net position	<u>1,868,412</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,940,394</u>

See Notes to Financial Statements.

**MO-KAN REGIONAL COUNCIL
ST. JOSEPH, MISSOURI**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

		Program Revenues		Net Revenue and Change in Net Position
Functions and Programs	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
Primary Government:				
Governmental Activities:				
General Government	\$ 817,933	\$ 54,774	\$ 729,834	\$ (33,325)
General Revenues:				
Interest				39,759
Local assessments				49,823
Total general revenues				89,582
Change in net position				56,257
Net Position - Beginning of year				1,812,155
Net Position - End of year				\$ 1,868,412

See Notes to Financial Statements.

**MO-KAN REGIONAL COUNCIL
ST. JOSEPH, MISSOURI**

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018**

	Governmental Funds		Eliminations	Total
	General	Special Revenue		
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash	\$ 800,926	\$ 180,122		\$ 981,048
Accounts receivable	5,000	89,250		94,250
Accounts receivable - related party	3,330			3,330
Prepaid expenses	3,364			3,364
Due from other funds	92,543		\$ (92,543)	-
Current portion of notes receivable	11,365			11,365
Total	<u>916,528</u>	<u>269,372</u>	<u>(92,543)</u>	<u>1,093,357</u>
NON-CURRENT ASSETS:				
Notes receivable, net of current portion	1,758	820,700		822,458
Total	<u>1,758</u>	<u>820,700</u>		<u>822,458</u>
TOTAL ASSETS	<u>\$ 918,286</u>	<u>\$ 1,090,072</u>	<u>\$ (92,543)</u>	<u>\$ 1,915,815</u>
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES:				
Accounts payable	\$ 36,995			\$ 36,995
Payroll liabilities	1,772			1,772
Escrow deposits		\$ 6,924		6,924
Compensated absences	15,430	10,861		26,291
Due to other funds		92,543	\$ (92,543)	-
Total	<u>54,197</u>	<u>110,328</u>	<u>(92,543)</u>	<u>71,982</u>
FUND BALANCES:				
Nonspendable	3,364			3,364
Restricted		979,744		979,744
Unassigned	860,725			860,725
Total	<u>864,089</u>	<u>979,744</u>		<u>1,843,833</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 918,286</u>	<u>\$ 1,090,072</u>	<u>\$ (92,543)</u>	<u>\$ 1,915,815</u>

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES

Total Governmental Fund Balances	\$ 1,843,833
Capital assets used in the governmental activities are not current financial resources and therefore are not reported in the funds.	<u>24,579</u>
Net Position of Governmental Activities	<u>\$ 1,868,412</u>

See Notes to Financial Statements.

**MO-KAN REGIONAL COUNCIL
ST. JOSEPH, MISSOURI**

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
REVENUES:			
Intergovernmental revenue:			
Federal grants		\$ 592,826	\$ 592,826
State revenue	\$ 37,493	5,784	43,277
Contributions		93,731	93,731
Local assessments	49,823		49,823
Charges for services	52,475	1,612	54,087
Printing and copying	687		687
Interest	2,183	37,576	39,759
Total	<u>142,661</u>	<u>731,529</u>	<u>874,190</u>
EXPENDITURES:			
Current			
Salaries and benefits	39,711	449,197	488,908
Board		1,016	1,016
Computer		6,576	6,576
Contractual labor and equipment	11,950	235,321	247,271
Marketing		125	125
Travel	1,362	12,021	13,383
Printing and copying	(252)	2,157	1,905
Loan processing		6,039	6,039
Memberships and dues	367	5,355	5,722
Conferences, meetings, and training		3,164	3,164
Occupancy	2,907	21,095	24,002
Allocated expenses	1,785	13,399	15,184
Miscellaneous	4,148	14,753	18,901
Total	<u>61,978</u>	<u>770,218</u>	<u>832,196</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	80,683	(38,689)	41,994
OTHER FINANCING SOURCES (USES):			
Transfers in (out)	<u>(45,820)</u>	<u>45,820</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	34,863	7,131	41,994
FUND BALANCE - Beginning of year	<u>829,226</u>	<u>972,613</u>	<u>1,801,839</u>
FUND BALANCE - End of year	<u>\$ 864,089</u>	<u>\$ 979,744</u>	<u>\$1,843,833</u>

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Net Change in Governmental Fund Balances	\$ 41,994
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized	17,077
Depreciation reported in the statement of activities does not require the use of current financial resources, and therefore is not reported as an expenditure in governmental funds	<u>(2,814)</u>
Change in Net Position of Governmental Activities	<u>\$ 56,257</u>

See Notes to Financial Statements.

**MO-KAN REGIONAL COUNCIL
ST. JOSEPH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization:

The Mo-Kan Regional Council (the Council) is organized under the Regional Planning and Community Development Act of 1966 (Chapter 251, RSMo). The Council is partially funded through contributions of member governmental entities and agencies that contract with the Council for specific program operations. The Council operates under the direction of a 32-member Council which represents local elected officials and their appointees. The Council provides many of the following services as authorized by its By-laws: provide technical assistance and advisory services to member governments in areas of planning, zoning, mapping, grant applications, and administration and operation of State and Federal programs.

B. Accounting Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

C. Basis of Presentation:

Measurement focus is a term used to describe "what" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. In these statements, governmental activities are presented using the accrual basis of accounting and the economic resources measurement focus. These statements report financial information for the Council as a whole, excluding fiduciary activities, with interfund activities removed. This basis recognizes revenues when they occur and expenditures when they are incurred.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

The governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Revenues are recognized when they become both "measurable and available." Measurable means the amount can be determined. Available means the amount is collectible within the current period or soon enough thereafter to pay current liabilities. The period of time the Council uses to define available is 60 days. Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred.

**MO-KAN REGIONAL COUNCIL
ST. JOSEPH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. Basis of Presentation, Continued:

The accounts of the Council are organized on the basis of funds, each of which is a separate accounting entity. The operations of each fund are accounted for through a set of self-balancing accounts which comprise its assets, liabilities, fund balances, revenues, and expenditures. The following funds are used by the Council:

Governmental Funds

General Fund - The General Fund is the main operating fund of the Council. It is used to account for all financial resources except those required to be accounted for in another fund or administratively assigned by management to be kept as a separate fund.

Special Revenue Fund - The Special Revenue Fund is used to account for revenues derived from specific revenue sources that are restricted to expenditures for specified purposes as required by grant agreements. The Council's policy is to use restricted resources first when restricted expenditures are incurred.

The major sources of revenue are grants, state financial assistance, member government assessments, local contributed cash, and other revenues as discussed below:

Federal and State Grant Revenue - Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

State Financial Assistance - State financial assistance is appropriated annually by the Missouri Legislature, and is recognized at the beginning of each fiscal year upon notification of the amount of the award from the Office of the Governor.

Member Government Assessments - All member governments are required to pay assessments to the Council. Assessments are determined annually and are recognized as revenues during the year for which they are assessed.

Local Contributed Cash - Contributions to grant programs from local governments are recognized as revenue when grant expenditures are incurred for cost reimbursement grants.

Other Revenues - Other revenues are composed primarily of interest and charges for services. Interest income is recorded as earned. Charges for services are recorded as revenues when services are rendered.

**MO-KAN REGIONAL COUNCIL
ST. JOSEPH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Compensated Absences:

The Council accrues a liability for compensated absences which meet the following criteria:

- 1) The Council's obligation relating to employee rights to receive compensation for future absences is attributable to employee's services already rendered.
- 2) The obligation relates to rights that vest or accumulate.
- 3) Payment of the compensation is probable.
- 4) The amount can be reasonably estimated.

In accordance with the above criteria, the Council has accrued a liability for vacation which has been earned but not taken by Council employees.

E. Budgets and Budgetary Accounting:

In accordance with the Council's bylaws, the budget committee submits to the full Council membership a proposed annual operating budget for adoption at a regular board meeting. The operating budget covers all funds and includes proposed revenues and expenditures for the upcoming year.

The Council's primary funding source is federal, state and local grants which have grant periods that may or may not coincide with the Council's fiscal year. These grants normally are for a twelve-month period; however, they can be awarded for periods shorter or longer than twelve months.

Because of the Council's dependency on federal, state and local budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding.

The resultant annual budget is subject to constant change within the fiscal year due to increases or decreases in actual grant awards from those estimated, changes in grant periods, unanticipated grant awards not included in the budget, and expected grant awards which fail to materialize.

The full membership of the Council formally approves the annual budget but greater emphasis is placed on complying with the grant budget, terms and conditions on a grant-by-grant basis. These terms and conditions usually specify the period during which costs may be incurred and outline budget restrictions or allowances.

A single all-purpose fund budget is adopted for all funds on the modified accrual basis of accounting, except for the EDA revolving loan fund which utilizes the accrual basis of accounting for budgetary purposes. Budget comparison reporting is not presented on an individual fund basis since a single all-purpose fund budget is adopted and reported for all funds.

**MO-KAN REGIONAL COUNCIL
ST. JOSEPH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

E. Budgets and Budgetary Accounting, Continued:

In accordance with the modified accrual basis of accounting, the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds does not include capital outlays as expenditures. The Required Supplementary Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Basis) - All Governmental Funds, is prepared on the basis utilized in preparing the budget and, accordingly, does not include capital outlays as expenditures.

F. Governmental Fund Balances:

The Council considers restricted, committed, assigned and unassigned amounts to be spent in that order when expenditures are incurred for which any of those amounts are available.

The Executive Board is responsible for determining any committed or assigned fund balances. To establish, modify, or rescind a fund balance commitment, formal action must be taken by the Executive Board.

G. Accounts Receivable:

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include billings for services and grants.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as billings for services and grants since they are usually both measurable and available. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. No allowance for uncollectible amounts has been provided since it is believed that the amount of such allowance would be immaterial.

H. Notes Receivable:

The Council administers two federal loan programs and one local loan program for the purpose of local business development. The Council also has a note receivable from Mo-Kan Development, Inc.

I. State-Administered Grants:

State-administered grants are federal grant funds or appropriated state funds which are allocated to State agencies and then reallocated to local units of government.

**MO-KAN REGIONAL COUNCIL
ST. JOSEPH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

J. Capital Assets:

The Council's capital assets are stated at historical cost and reported in the government-wide financial statements. Contributions of capital assets received from federal, state, or local sources are recorded at the estimated fair value at the time of receipt.

Additions, improvements and costs that significantly extend the useful life of an asset are capitalized. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Office equipment	7 – 10 years
Computer software and hardware	3 years

K. Fair Value of Financial Instruments:

The carrying amounts of cash, short-term investments, receivables, accrued expenses, and other liabilities approximate their fair values due to the short-term maturities of these financial instruments.

2. INTERGOVERNMENTAL REVENUES

The Council received funds under Missouri Statute, Chapter 251, "State Planning Assistance," to be used as matching funds for local projects and administrative services. These funds are generally used to match or supplement funding of existing projects. The Council received \$8,901 during the year ended June 30, 2018.

3. CASH AND INVESTMENTS

Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. The Council does not have a formally adopted deposit policy, but follows the requirements set forth in the state statutes. At June 30, 2018, the Council's deposits were covered by federal depository insurance and collateral pledged to the Council on the records of independent third-party banks, and thus no custodial credit risk exists.

The Council may invest in certificates of deposit, bonds of the State of Missouri or any wholly-owned corporation of the United States, or in other short-term obligations of the United States. The Council does not have a formally adopted investment policy, but follows the requirement set forth in the state statutes.

4. NOTES RECEIVABLE

The Council administers a Rural Business Enterprise Grant loan fund established with the United States Department of Agriculture funds. The grant requires a local match of \$5,000, which the Council made during the year ended September 30, 2011. The balance of loans outstanding at June 30, 2018, was \$22,872.

The Council administers a revolving loan fund established with Economic Development Administration (EDA) funds and local funds. The grant requires a minimum twenty-five per cent local share in cash. During the year ended June 30, 2018, two new loans were awarded. The balance of loans outstanding at June 30, 2018, was \$732,501.

**MO-KAN REGIONAL COUNCIL
ST. JOSEPH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

4. NOTES RECEIVABLE – CONTNUED

During the year ended June 30, 2014, the St. Joseph Metro Chamber of Commerce (the Chamber) contributed a note-receivable to the Council. In October, 2011, the Chamber loaned \$50,000 to the Trail Theatre, LLC, in St. Joseph, Missouri. In June, 2014, the Chamber decided that administering loans was not part of its mission and gifted the loan to the Council. The balance of this note was \$31,863 on June 30, 2018.

During the year ended June 30, 2016, the Council entered into a note receivable agreement with Rea Laffin Insurance. The note bears interest at a rate of 5.00% and is due in monthly payments of \$595, principal and interest, until July 10, 2022, at which time the balance of the note will be due in full. The balance of this note was \$26,267 on June 30, 2018.

During the year ended June 30, 2017, the Council entered into a note receivable agreement with Brioche, LLC. The note bears interest at a rate of 4.00% and is due in monthly payments of \$185, principal and interest, until December 10, 2021, at which time the balance of the note will be due in full. The balance of this note was \$7,197 on June 30, 2018.

During the year ended June 30, 2013, the Council entered into a note receivable agreement with Mo-Kan Development Corporation (the Corporation). The note bears interest at a rate of 2.00% and is due in monthly payments of \$960, principal and interest, until August 10, 2019, at which time the balance of the note will be due in full. The balance of this note was \$13,123 on June 30, 2018.

5. INTERFUND BALANCES AND TRANSFERS

The following is a summary of interfund balances for all funds at June 30, 2018:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 92,543	
Special Revenue Fund		\$ 92,543
Totals	<u>\$ 92,543</u>	<u>\$ 92,543</u>

The purpose for the interfund balances is for the payment of expenditures by the General Fund on behalf of the special revenue funds prior to grant receipts being received by the special revenue fund.

Operating transfers are the distribution of local cash resources to grant projects requiring local cash match in accordance with the terms and conditions of the grant contract. Local funds are derived from the Council's assessments paid by member governments, state financial assistance received from annual state legislature appropriations and other revenues.

The following is a summary of interfund transfers for all funds for the year ended June 30, 2018

<u>Fund</u>	<u>Transfer To Other Funds</u>	<u>Transfer From Other Funds</u>
General Fund	\$ 45,820	
Special Revenue Fund		\$ 45,820
Totals	<u>\$ 45,820</u>	<u>\$ 45,820</u>

**MO-KAN REGIONAL COUNCIL
ST. JOSEPH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

6. PENSION PLAN

LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS responsibility to administer the plan in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 (55 for police and fire) with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for police and fire) and receive a reduced allowance.

Full-time employees of the Council contribute 4.0% of their annual gross pay to the pension plan. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Employer contribution rates as a percentage of annual covered payroll are 11.5%. For the year ended June 30, 2018, the Council contributed \$30,693 LAGERS.

7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance July 1, <u>2017</u>	<u>Additions</u>	Balance June 30, <u>2018</u>
Property and equipment	\$55,397	\$17,077	\$ 72,474
Computer hardware	25,540		25,540
Computer software	<u>4,406</u>		<u>4,406</u>
Total cost	<u>85,343</u>	<u>17,077</u>	<u>102,420</u>
Less accumulated depreciation:			
Property and equipment	45,081	\$ 2,814	47,895
Computer hardware	25,540		25,540
Computer software	<u>4,406</u>		<u>4,406</u>
Total accumulated depreciation	<u>75,027</u>	<u>2,814</u>	<u>77,841</u>
Capital assets, net	<u>\$10,316</u>	<u>\$14,263</u>	<u>\$ 24,579</u>

**MO-KAN REGIONAL COUNCIL
ST. JOSEPH, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

8. RELATED PARTY TRANSACTIONS

The Council is related to Mo-Kan Development, Inc. (the Corporation), a not-for-profit corporation, by sharing administrative personnel. The Council leases office space from Mo-Kan Development, Inc. on a year-to-year basis. The lease payments were \$2,000 per month for the year, including utilities. The lease is renewable at the end of each year for successive one-year terms.

The Council has an account receivable of \$3,330 due from the Corporation, at June 30, 2018.

The Council received contributions in the amount of \$93,731 from the Corporation during the year ended June 30, 2018.

The Council had one note receivable from the Corporation in the amount of \$13,123 at June 30, 2018.

9. CONTINGENCY

The Council receives federal grants and state funding for specific purposes that are subject to review and audit. These reviews and audits could lead to requests for reimbursement or to withholding of future funding for expenditures disallowed under, or other noncompliance with, the terms of the grants and funding.

10. RISK MANAGEMENT

The Council is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Council assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in the past year.

11. ECONOMIC DEPENDENCY

The Council receives a substantial amount of its support from federal, state, and local governments. If a significant reduction in this level of government support were to occur, it may have an effect on the Council's programs.

12. RESTRICTIONS

Funds received for grant programs are restricted to use on the purposes of the respective programs. The amount of restricted net position consists of the equity retained by the Council for those programs.

SECTION II
REQUIRED SUPPLEMENTARY INFORMATION

**MO-KAN REGIONAL COUNCIL
ST. JOSEPH, MISSOURI**

**REQUIRED SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND
ACTUAL (BUDGETARY BASIS) - ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

(unaudited)

	All Governmental Funds			Variance
	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
REVENUES:				
Intergovernmental revenue:				
Federal grants	\$ 644,394	\$ 744,394	\$ 592,826	\$ (151,568)
State revenue	8,000	8,000	43,277	35,277
Contributions	142,958	142,958	93,731	(49,227)
Local assessments	48,000	48,000	49,823	1,823
Charges for services	18,000	18,000	54,087	36,087
Printing and copying			687	687
Interest	25,000	25,000	39,759	14,759
Total	<u>886,352</u>	<u>986,352</u>	<u>874,190</u>	<u>(112,162)</u>
CURRENT EXPENDITURES:				
Salaries and benefits	639,556	639,556	488,908	150,648
Board	1,750	1,750	1,016	734
Computer	10,500	10,500	6,576	3,924
Contractual labor and equipment	133,500	233,500	247,271	(13,771)
Marketing	500	500	125	375
Travel	20,000	20,000	13,383	6,617
Printing and copying	3,000	3,000	1,905	1,095
Loan processing	2,500	2,500	6,039	(3,539)
Memberships and dues	5,500	5,500	5,722	(222)
Conferences, meetings, and training	7,000	7,000	3,164	3,836
Occupancy	24,000	24,000	24,002	(2)
Allocated expenses	15,000	15,000	15,184	(184)
Miscellaneous	22,910	22,910	18,901	4,009
Total	<u>885,716</u>	<u>985,716</u>	<u>832,196</u>	<u>153,520</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 636</u>	<u>\$ 636</u>	<u>\$ 41,994</u>	<u>\$ 41,358</u>

SECTION III
SUPPLEMENTAL SCHEDULES

**MO-KAN REGIONAL COUNCIL
ST. JOSEPH, MISSOURI**

**SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/ Pass through Grantor/ Program Title	Pass-through Identifying Number	Federal CFDA Number	Expenditures
<u>U.S. Department of Commerce / Economic Development Administration</u>			
Support for Planning Organizations (15-16)	05-53-05340	11.302	84,076
Support for Planning Organizations (16-17)	05-53-05340-01	11.302	26,620
Economic Adjustment Assistance RLF Program	Rev Loan Prog	11.307	<u>590,564</u>
			701,260
<u>U.S. Department of Transportation</u>			
Missouri Department of Transportation Highway Planning & Construction	SPR1627S	20.205	80,881
<u>U.S. Department of Labor</u>			
State of Missouri Department of Economic Development and Northwest Investment Board Workforce Investment Act			
Adult Worker	7-13-6-14-9133 NGCC	17.258	49,841
Dislocated Workers Program	7-13-6-14-9133 NGCC	17.278	2,410
Adult Worker Program	10-17-6-18-9133	17.258	135,932
Dislocated Worker Program - Local	10-17-6-18-9133	17.278	100,912
Dislocated Worker Program - Statewide Rapid Resp.	10-17-6-18-9133	17.278	<u>39,634</u>
Workforce Investment Act Cluster			328,729
<u>U.S. Department of Interior. Environmental Protection Agency</u>			
Environmental Workforce Development & Job Training	JT-97745901	66.815	376
Brownfields Assessment & Cleanup	BF-97746001	66.818	<u>20,028</u>
			\$ 20,404

<u>Federal Grantor/ Pass through Grantor/ Program Title</u>	<u>Pass-through Identifying Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Homeland Security / Federal Emergency Management Agency</u>			
Missouri State Emergency Management Agency			
Hazard Mitigation Planning			
Clinton County	FEMA-DR-4250-MO- PROJECT # 0112	97.039	12,473
DeKalb	FEMA-DR-4250-MO- PROJECT # 0112	97.039	12,204
<u>U.S. Department of Homeland Security</u>			
Homeland Security Grant Program (15 Equipment)	EMW-2015-SS-00020-S01-022	97.067	303
Homeland Security Grant Program (16 Equipment)	EMW-2016-SS-00049	97.067	73,985
Homeland Security Grant Program (17 Equipment)	EMW-2017-SS-00047-09	97.067	<u>9,739</u>
			<u>84,027</u>
TOTAL			<u>\$ 1,239,978</u>

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Mo-Kan Regional Council and is presented on the accrual basis of accounting.

**MO-KAN REGIONAL COUNCIL
ST. JOSEPH, MISSOURI**

**SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - ALL GENERAL FUND PROJECTS
FOR THE YEAR ENDED JUNE 30, 2018**

	CSBG Osborn Wastewater	CSBG Cameron Start Smart	CSBG Savannah Start Smart	CSBG Total
REVENUES:				
State		\$ 6,250		6,250
Charges for services			\$ 17,500	17,500
Local assessments				
Printing and copying				
Interest				
Total revenues	<u>-</u>	<u>6,250</u>	<u>17,500</u>	<u>23,750</u>
EXPENDITURES:				
Current;				
Salaries and benefits	287	4,520	5,324	10,131
Contractual labor and equipment				-
Occupancy	24	384	436	844
Travel		454	199	653
Printing and copying		114	114	228
Memberships and dues				-
Allocated	14	220	259	493
Miscellaneous	2	81	17	100
Total expenditures	<u>327</u>	<u>5,773</u>	<u>6,349</u>	<u>12,449</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(327)</u>	<u>477</u>	<u>11,151</u>	<u>11,301</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	327			327
Transfers (out)				
Total transfers	<u>327</u>			<u>327</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>477</u>	<u>11,151</u>	<u>\$ 11,628</u>

<u>MoDot Public Transit</u>	<u>MACOG Disaster</u>	<u>Corporate Work / Plan</u>	<u>Buchanan County Comp Plan</u>	<u>Total</u>
20,000		\$ 11,243		\$ 37,493
	\$ 25,600	375	\$ 9,000	\$ 52,475
		49,823		\$ 49,823
		687		\$ 687
		2,183		\$ 2,183
<u>20,000</u>	<u>25,600</u>	<u>64,311</u>	<u>9,000</u>	<u>142,661</u>
9,150	4,293	7,422	8,715	39,711
10,283			1,667	11,950
648	325	497	593	2,907
221		261	227	1,362
	14	(494)		(252)
		367		367
470	209	189	424	1,785
(772)		4,820		4,148
<u>20,000</u>	<u>4,841</u>	<u>13,062</u>	<u>11,626</u>	<u>61,978</u>
<u>-</u>	<u>20,759</u>	<u>51,249</u>	<u>(2,626)</u>	<u>80,683</u>
		24,757		25,084
	(20,759)	(50,145)		(70,904)
	<u>(20,759)</u>	<u>(25,388)</u>		<u>(45,820)</u>
<u>\$ -</u>	<u>-</u>	<u>\$ 25,861</u>	<u>(2,626)</u>	<u>\$ 34,863</u>

**MO-KAN REGIONAL COUNCIL
ST. JOSEPH, MISSOURI**

**SUPPLEMENTAL BALANCE SHEET - ALL SPECIAL REVENUE PROJECTS
JUNE 30, 2018**

	18-19 Economic Development Administration	15-16 Work Program Homeland Security	EDA Revolving Loan Fund	EPA Brownfield RLF	MKRC Loan Fund
<u>ASSETS</u>					
Cash			\$110,480		\$ 33,743
Accounts receivable		\$ 4,832	7,125	\$ 8,558	
Notes receivable			732,501		65,327
		<u>\$ 4,832</u>	<u>\$850,106</u>	<u>\$ 8,558</u>	<u>\$ 99,070</u>
 <u>LIABILITIES AND FUND EQUITY</u>					
LIABILITIES:					
Escrow deposits			\$ 6,924		
Compensated absences					
Due to (from) other funds	\$ 1,620	\$ 4,832	19,097	\$ 8,558	\$ 2,435
	<u>1,620</u>	<u>4,832</u>	<u>26,021</u>	<u>8,558</u>	<u>2,435</u>
FUND BALANCES:					
Restricted	(1,620)		824,085		96,635
	<u>(1,620)</u>		<u>824,085</u>		<u>96,635</u>
 TOTAL LIABILITIES AND FUND EQUITY					
	\$ -	\$ 4,832	\$850,106	\$ 8,558	\$ 99,070

<u>RBEG Micro-Loan Fund</u>	<u>Workforce Programs</u>	<u>MoDot TAC</u>	<u>Hazard Mitigation Planning</u>	<u>Total</u>
\$ 35,899				\$ 180,122
	\$39,722	\$ 29,013		89,250
<u>22,872</u>				<u>820,700</u>
<u>\$ 58,771</u>	<u>\$39,722</u>	<u>\$ 29,013</u>		<u>\$ 1,090,072</u>
				\$ 6,924
	\$ 10,861			10,861
<u>\$ (1,352)</u>	<u>28,861</u>	<u>\$ 29,013</u>	<u>\$ (521)</u>	<u>92,543</u>
<u>(1,352)</u>	<u>39,722</u>	<u>29,013</u>	<u>(521)</u>	<u>110,328</u>
<u>60,123</u>			<u>521</u>	<u>979,744</u>
<u>60,123</u>			<u>521</u>	<u>979,744</u>
<u>\$ 58,771</u>	<u>\$39,722</u>	<u>\$ 29,013</u>	<u>\$ -</u>	<u>\$ 1,090,072</u>

**MO-KAN REGIONAL COUNCIL
ST. JOSEPH, MISSOURI**

**SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - ALL SPECIAL REVENUE PROJECTS
FOR THE YEAR ENDED JUNE 30, 2018**

	17-18 Economic Development Administration	18-19 Economic Development Administration	14-15 Work Program Homeland Security	15-16 Work Program Homeland Security	16-17 Work Program Homeland Security	CDC	EDA Revolving Loan Fund
REVENUES:							
Intergovernmental revenue:							
Federal awards	\$ 52,500	\$ 17,500	\$ 303	\$ 73,985	\$ 9,739		
State revenue							
Contributions						\$ 93,731	
Charges for services							
Interest							\$ 33,461
Total revenues	<u>52,500</u>	<u>17,500</u>	<u>303</u>	<u>73,985</u>	<u>9,739</u>	<u>93,731</u>	<u>33,461</u>
EXPENDITURES:							
Current							
Salaries and benefits	62,057	21,931	303	10,025		77,052	11,912
Board	191	591				234	
Computer	2,979	20		628		613	
Contractual labor and equipment	3,288			59,378	9,739		
Marketing							125
Travel	2,620	643		363		127	139
Printing and copying	1,146	231		103		655	131
Loan processing							6,039
Memberships and dues	2,252			760		67	
Conferences, meetings, and training	332	83				50	
Occupancy	4,587	1,595		817		6,070	915
Allocated expense	3,187	902		503		3,751	580
Miscellaneous	1,437	624		1,408		5,112	1,046
Total expenditures	<u>84,076</u>	<u>26,620</u>	<u>303</u>	<u>73,985</u>	<u>9,739</u>	<u>93,731</u>	<u>20,887</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(31,576)</u>	<u>(9,120)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,574</u>
OTHER FINANCING SOURCES (USES):							
Transfers in	22,502	7,500					
Transfers (out)							
Net transfers	<u>22,502</u>	<u>7,500</u>					
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(9,074)</u>	<u>(1,620)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,574</u>
FUND BALANCE - Beginning of year	<u>9,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>811,511</u>
FUND BALANCE - End of year	<u>\$ -</u>	<u>\$ (1,620)</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 824,085</u>

EPA Brownfield RLF	EPA Job Training	MKRC Loan Fund	RBEG Micro-Loan Fund	16-17 Workforce Programs	17-18 Workforce Programs	MoDot TAC	Hazard Mitigation Planning	DNR Watershed	Total
\$ 20,028	\$ 376			\$ 52,251	\$ 276,479	\$ 64,705	\$ 24,960	\$ 5,784	\$ 592,826
							1,612		5,784
		\$ 3,275	\$ 840						93,731
									1,612
									37,576
<u>20,028</u>	<u>376</u>	<u>3,275</u>	<u>840</u>	<u>52,251</u>	<u>276,479</u>	<u>64,705</u>	<u>26,572</u>	<u>5,784</u>	<u>731,529</u>
16,726	418	660		49,702	135,183	42,390	19,918	920	449,197
						2,283	53		1,016
4,065					134,755	18,918	705	4,473	6,576
									235,321
468				398	1,323	5,034	866	40	125
133	2			24	61	(829)	349	151	12,021
									2,157
						2,276			6,039
						2,029			5,355
				70	600	3,305	1,500	107	3,164
1,262	48	66		254	569	2,039	970	91	21,095
814	26	32		188	316	3,436	317	2	13,399
82				334	955				14,753
<u>23,550</u>	<u>494</u>	<u>758</u>	<u>-</u>	<u>50,970</u>	<u>273,762</u>	<u>80,881</u>	<u>24,678</u>	<u>5,784</u>	<u>770,218</u>
(3,522)	(118)	2,517	840	1,281	2,717	(16,176)	1,894	-	(38,689)
3,522	118					16,176			49,818
				(1,281)	(2,717)				(3,998)
<u>3,522</u>	<u>118</u>			<u>(1,281)</u>	<u>(2,717)</u>	<u>16,176</u>	<u>-</u>	<u>-</u>	<u>45,820</u>
-	-	2,517	840	-	-	-	1,894	-	7,131
-	-	94,118	59,283	-	-	-	(1,373)	-	972,613
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,635</u>	<u>\$ 60,123</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 521</u>	<u>-</u>	<u>\$ 979,744</u>

SECTION IV
COMPLIANCE AND INTERNAL CONTROL

ARTHUR WHITE & ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITORS' 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**

October 30, 2018

Board of Directors
Mo-Kan Regional Council
St. Joseph, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Mo-Kan Regional Council (the Council), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated October 30, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mo-Kan Regional Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Council's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Arthur White & Associates, L.L.C.

ARTHUR WHITE & ASSOCIATES, L.L.C.

Report on Internal Control over Compliance

Management of Mo-Kan Regional Council is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our audit of compliance, we considered Mo-Kan Regional Council's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major 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 Mo-Kan Regional Council's internal control over compliance.

A deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Arthur White & Associates, L.L.C.

ARTHUR WHITE & ASSOCIATES, L.L.C.

ARTHUR WHITE & ASSOCIATES, L.L.C.

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH ALLOCATION PLAN REQUIREMENTS**

October 30, 2018

Board of Directors
Mo-Kan Regional Council
St. Joseph, Missouri

We have examined management's assertion, included in its representation letter dated October 30, 2018, about Mo-Kan Regional Council's (the Council) compliance with its cost allocation plan as required for federal grants during the year ended June 30, 2018. As discussed in that representation letter, management is responsible for the Council's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the Council's compliance based on our examination.

Our examination was made in accordance with attestation standards established by the American Institute of Certified Public Accountants, and in accordance with standards applicable to attestations contained in Government Auditing Standards, issued by the Comptroller General of the United States, and accordingly included examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Council's compliance with specified requirements.

In our opinion, management's assertion that the Council has complied with the aforementioned requirements for the year ended June 30, 2018, is fairly stated in all material respects.

This report is intended solely for the information and use of the board of directors, management, others within the entity, and the federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Arthur White & Associates, L.L.C.

ARTHUR WHITE & ASSOCIATES, L.L.C.

**MO-KAN REGIONAL COUNCIL
ST. JOSEPH, MISSOURI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unmodified Opinion

Internal control over financial reporting:

Material weaknesses identified? Yes No

Significant deficiencies identified? Yes None Reported

Noncompliance material to the financial statements noted? Yes No

Federal Awards

Internal control over major program:

Material weaknesses identified? Yes No

Significant deficiencies identified? Yes None Reported

Type of auditors' report issued on compliance for major program:

Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? Yes No

Identification of major program:

<u>CFDA or Other Identifying Number</u>	<u>Program Title</u>
17.258	Workforce Investment Act

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

Auditee qualified as a low-risk auditee? Yes No

**MO-KAN REGIONAL COUNCIL
ST. JOSEPH, MISSOURI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section II - Financial Statement Findings

There were no financial statement findings.

Section III - Federal Award Findings and Questioned Costs

There were no financial statement findings.

**MO-KAN REGIONAL COUNCIL
ST. JOSEPH, MISSOURI**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Section II - Financial Statement Findings

There were no financial statement findings.

Section III - Federal Award Findings and Questioned Costs

There were no financial statement findings.