

**NORTH CENTRAL PLANNING COUNCIL  
DEVILS LAKE, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
North Central Planning Council  
Devils Lake, North Dakota

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Central Planning Council, as of and for the year ended December 31, 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***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 opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the North Central Planning Council as of December 31, 2018, and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

## **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Central Planning Council's 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 accompanying schedule of expenditures of federal awards 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 our report dated April 24, 2019, on our consideration of North Central Planning Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of North Central Planning Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Central Planning Council's internal control over financial reporting and compliance.



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

April 24, 2019

**NORTH CENTRAL PLANNING COUNCIL**  
**STATEMENT OF NET POSITION – MODIFIED CASH BASIS**  
**DECEMBER 31, 2018**

ASSETS	Total
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 329,745
Current portion of notes receivable	<u>118,651</u>
Total current assets	<u>448,396</u>
<b>CAPITAL ASSETS</b>	<u>196,340</u>
<b>OTHER ASSETS</b>	
Notes receivable, net of current portion and allowance of \$85,710	<u>751,702</u>
Total other assets	<u>751,702</u>
Total assets	<u>1,396,438</u>
<b>LIABILITIES AND NET POSITION</b>	
<b>LIABILITIES</b>	
Payroll liabilities	1,803
Line of credit	<u>192,658</u>
Total liabilities	<u>194,461</u>
<b>NET POSITION</b>	
Net investment in capital assets	196,340
Unrestricted	(69,537)
Restricted	
Restricted for economic development	<u>1,075,174</u>
Total net position	<u>\$ 1,201,977</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

**NORTH CENTRAL PLANNING COUNCIL**  
**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

		Program Receipts		Net (Disbursements)
		Charges for	Operating	Receipts and
		Services	Grants &	Changes in Net
			Contributions	Position
Governmental activities				
Economic development	\$ 354,158	\$ 76,214	\$ 236,957	\$ (40,987)
Lending programs	90,263	31,859	-	(58,404)
Total Government activities	\$ 444,421	\$ 108,073	\$ 236,957	(99,391)
General revenues				
County contributions				80,357
Interest income				10
Miscellaneous				15,000
Total general revenues				95,367
Change in net position				(4,024)
Net position - January 1				1,206,001
Net position - December 31				\$ 1,201,977

SEE NOTES TO THE FINANCIAL STATEMENTS

**NORTH CENTRAL PLANNING COUNCIL**  
**BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**DECEMBER 31, 2018**

ASSETS	Major Funds		Total Governmental Funds
	General Fund	Revolving Loan Fund	
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 124,924	\$ 204,821	\$ 329,745
Current portion of notes receivable	-	118,651	118,651
Total current assets	124,924	323,472	448,396
<b>OTHER ASSETS</b>			
Notes receivable, net of current portion and allowance of \$85,710	-	751,702	751,702
Total other assets	-	751,702	751,702
Total assets	\$ 124,924	\$ 1,075,174	\$ 1,200,098
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>			
Payroll liabilities	\$ 1,803	\$ -	\$ 1,803
Line of credit	192,658	-	192,658
Total current liabilities	194,461	-	194,461
<b>NET POSITION</b>			
Nonspendable	-	870,353	870,353
Spendable			
Unassigned	(69,537)	-	(69,537)
Restricted			
Revolving loan funds	-	204,821	204,821
Total net position	(69,537)	1,075,174	1,005,637
Total liabilities and net position	\$ 124,924	\$ 1,075,174	\$ 1,200,098

SEE NOTES TO THE FINANCIAL STATEMENTS



**NORTH CENTRAL PLANNING COUNCIL**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION – MODIFIED CASH BASIS**  
**DECEMBER 31, 2018**

Total Governmental Funds Balance	\$ 1,005,637
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Total net position reported for governmental activities in the statement of net position is different because:

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

Cost of capital assets	\$ 196,340	
Less accumulated depreciation	-	
Net capital assets	196,340	196,340

Net Position of Governmental Activities	\$ 1,201,977
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SEE NOTES TO THE FINANCIAL STATEMENTS

**NORTH CENTRAL PLANNING COUNCIL**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE –**  
**GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Major Funds		Total Governmental Funds
	General Fund	Revolving Loan Fund	
<b>OPERATING RECEIPTS</b>			
Grants	\$ 236,957	\$ -	\$ 236,957
County contributions	80,357	-	80,357
Administration income	76,214	-	76,214
Miscellaneous	15,000	125	15,125
Interest income from loans	-	31,734	31,734
<b>TOTAL OPERATING RECEIPTS</b>	<b>408,528</b>	<b>31,859</b>	<b>440,387</b>
<b>DISBURSEMENTS</b>			
Current:			
Salaries & benefits	173,771	-	173,771
Advertising	3,528	-	3,528
Dues & subscriptions	3,312	-	3,312
Janitorial service	1,580	-	1,580
Insurance	1,363	-	1,363
Interest & fees	2,124	-	2,124
Legal & professional	17,244	-	17,244
Office expense	16,718	-	16,718
Repairs and maintenance	290	-	290
Printing and postage	643	-	643
Telephone	3,007	-	3,007
Training & seminars	2,615	-	2,615
Travel & meetings	13,545	-	13,545
Housing preservation	112,582	-	112,582
Miscellaneous	1,836	-	1,836
Total current	354,158	-	354,158
Capital outlay	196,340	-	196,340
Debt service:			
Administration expense	-	15,263	15,263
Bad debt expense	-	75,000	75,000
Total debt service expenditures	-	90,263	90,263
<b>TOTAL DISBURSEMENTS</b>	<b>550,498</b>	<b>90,263</b>	<b>640,761</b>
Operating income (loss)	(141,970)	(58,404)	(200,374)
<b>NON-OPERATING REVENUE</b>			
Interest income from banks	10	-	10
<b>TOTAL NON-OPERATING INCOME</b>	<b>10</b>	<b>-</b>	<b>10</b>
Net change in fund balances	(141,960)	(58,404)	(200,364)
Net position - January 1	72,423	1,133,578	1,206,001
Net position - December 31	\$ (69,537)	\$ 1,075,174	\$ 1,005,637

**NORTH CENTRAL PLANNING COUNCIL**  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE  
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2018

Net Change in Fund Balances - Total Governmental Funds \$ (200,364)

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

Amounts of capital asset purchases are reported as expenditures on the fund financial statements but increase assets on the government wide statements. The amount of capital asset purchases is:

196,340

Total Change in Net Position of Governmental Activities \$ (4,024)

SEE NOTES TO THE FINANCIAL STATEMENTS

**NORTH CENTRAL PLANNING COUNCIL**  
STATEMENT OF ASSETS AND LIABILITIES – FIDUCIARY FUNDS –  
MODIFIED CASH BASIS  
DECEMBER 31, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	<u>\$</u> <u>226</u>
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LIABILITIES AND NET POSITION

LIABILITIES

Due to CDBG	<u>\$</u> <u>226</u>
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SEE NOTES TO THE FINANCIAL STATEMENTS

**NORTH CENTRAL PLANNING COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

North Central Planning 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 the modified cash basis of accounting as applicable to governments. 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.
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.

**NORTH CENTRAL PLANNING COUNCIL**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2018

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 – modified cash basis and the statement of activities – modified cash basis) 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, which rely to a significant extent on fees and charges for support.

**NORTH CENTRAL PLANNING COUNCIL**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2018

The statement of revenue, expenses and changes in net position – modified cash basis 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 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) 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, each displayed as separate columns in the fund financial statements. Any remaining governmental would be aggregated and reported as nonmajor funds, however 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 and is always classified as a major fund. It accounts for all financial resources except those required to be accounted for in another fund.

Revolving Loan Fund – The Revolving Loan Fund (RLF) was established to provide loans to entities in the Council's area through federal and donated funds. As loans are repaid, the revolved funds are loaned. Revenue from this fund is considered operating revenue.

Additionally, the Council reports an agency fund that is used to account for assets held by the Council as agent for the Community Development Block Grant program

**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 within the limitations of the modified cash basis of accounting. The government-wide financial statements are reported using the modified cash basis of accounting. Receipts are recorded when received and disbursements are recorded at the time of payment. 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 received by the provider.

**NORTH CENTRAL PLANNING COUNCIL**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2018

*Governmental fund financial statements:* Governmental funds are reported using the current financial resources measurement focus within the limitations of the modified cash basis of accounting. Under this method, receipts are recognized when received. Disbursements are recorded when the related payment is made with the exception of amounts due to other entities, payments made on the line of credit, and payroll withholding which is recorded as a liability when the related payroll is paid. General capital asset acquisitions are reported as disbursements in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Council funds certain programs by a combination of specific cost-reimbursement grants and general receipts. Thus, when program disbursements 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 receipts.

### **Budgets**

The budget is prepared for the general fund on the modified cash basis of accounting. The budget includes the proposed disbursements and the means of financing them. The board approves the final budget. All annual appropriations lapse at year-end.

### **Cash and Cash Equivalents**

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 any 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.



**NORTH CENTRAL PLANNING COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2018**

**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 \$5,000 or more. Assets are recorded at cost if purchased and at acquisition 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. Capital assets were not put into service until the next fiscal year, therefore there is no depreciation in the current year. Equipment will be depreciated using the straight-line method with the following estimated useful lives:

Office and Computer Equipment	5 years
Furniture and Fixtures	7 years

**Notes Receivable and Allowance for Bad Debts**

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

Notes 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 \$85,710 for bad debts has been established for the Revolving Loan Fund (RLF). Management believes the estimated allowance for the RLF is adequate. Notes considered uncollectible are liquidated and any amount remaining is charged-off.

**Long-term Obligations**

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only the portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. There were no long-term obligations as of December 31, 2018.

**Tax-Exempt Status**

The Council is exempt from Federal Income Tax 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 tax returns are up to date.

**Fund Balances/Net Position**

***Government-wide Financial Statements***

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

**NORTH CENTRAL PLANNING COUNCIL**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2018

governments. Net position is reported as unrestricted for all other assets that do not meet the definition of "restricted" or "net investment in capital assets."

**Fund Balance Classifications**

The governmental fund financial statements present fund balances based on a hierarchy that shows, from highest to lowest, the level or form of constraints on fund balance resources and the extent to which the Council is bound to honor them. The Council first determines and reports non-spendable balances, the restricted, then committed, and so forth. The Council's governmental fund balances classifications are summarized as follows:

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.

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.

**NORTH CENTRAL PLANNING COUNCIL**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2018

**Inter-fund Transactions**

Quasi-external transactions are accounted for as receipts or disbursements. Transactions that constitute reimbursements to a fund for receipts/disbursements initially made from it that are properly applicable to another fund, are recorded as disbursements in the fund that is reimbursed.

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

**Short-Term Inter-fund Receivable/Payables**

During the course of operation, occasional transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as *“due from other funds”* or *“due to other funds”* on the balance sheet. Short-term inter-fund loans are classified as *“inter-fund receivable/payables”*.

**Use of Estimates in Preparing the Financial Statements**

The preparation of financial statements in conformity with the modified cash basis of accounting 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 disbursements during the reporting period. Actual results could differ from those estimates.

**NOTE 2      LEGAL COMPLIANCE – BUDGETS**

The Council prepares a budget for revenues and follows these procedures in establishing its budget: 1) Staff and management develop the revenue budget prior to the annual meeting of the full Council. 2) The revenue budget is approved at the annual meeting of the Council. 3) At year end, the revenue budget is compared to annual receipts and disbursements.

**NOTE 3      DEPOSITS AND INVESTMENTS**

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government’s deposits may not be recovered. State law requires local governments to deposit funds in financial institutions carrying federal deposit insurance and a pledge of governmental securities for deposits in excess of deposit insurance coverage. All council funds were adequately insured or collateralized by governmental securities as of December 31, 2018.

**Credit Risk**

Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The Council’s policy for limiting the credit risk of investments is to only invest in certificates of deposit fully insured or collateralized by pledge of governmental securities.

**NORTH CENTRAL PLANNING COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2018**

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Council manages its exposure to declines in fair value by investing only in certificates of deposit that are quite stable in rate of return and relatively short term.

**NOTE 4      NOTES RECEIVABLE**

North Central Planning Council provides loans to businesses and local governments in its region for start-up, expansion and capital improvements. The Council had two separate loan programs which the EDA granted permission to combine during the year for reporting purposes, consisting of the following:

Revolving Loan Fund	
loans bearing interest from 2.50% to 5.00%, with maturity dates ranging from 2019 through 2038, secured with personal guarantees, inventory, property, and equipment.	\$956,063
Less: current portion of notes receivable	<u>(118,651)</u>
Total long-term notes receivable	837,412
Less: allowance for doubtful accounts	<u>(85,710)</u>
Total long-term notes receivable, net	<u><u>\$751,702</u></u>

Future maturities of the notes receivable are as follows:

2019	\$ 118,651
2020	102,706
2021	95,560
2022	92,260
2023	86,249
Thereafter	<u>460,637</u>
	<u><u>\$ 956,063</u></u>

The Council did not have any past due and nonaccrual notes receivable as of December 31, 2018.

**NORTH CENTRAL PLANNING COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2018**

**NOTE 5      PENSION PLAN**

The Council participates in a retirement plan for the benefit of its employees. The plan is managed by American Funds. The current terms of the plan provided that the Council will match, as determined by the Governing Board, up to 5% of eligible employee salaries to the plan. Employees are fully vested immediately. For the year ended December 31, 2018, the Council contributed \$5,822. The plan is a defined contribution plan and the Council is only liable for current contributions.

**NOTE 6      LEASES**

During 2018, the Council's facilities were owned and rented to the Council by Ramsey County. The Council does not pay rent to Ramsey County, but rather considers rent expense as an in-kind donation to the Council.

**NOTE 7      RESTRICTED NET POSITION/RESTRICTED FUND BALANCES**

The restricted net position and restricted fund balances are the result of the Revolving Loan Fund (RLF). The funds are to continue being loaned under the provisions of each of the loan programs.

**NOTE 8      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 (NDRF), 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 NDRF for its general liability and automobile insurance coverage. The coverage by NDRF is limited to losses of \$2,000,000 per occurrence. The Council carries commercial insurance for all other risks of loss, including workers' compensation, personal property, building, inland marine, boiler and machinery. No claims from these risks have exceeded insurance coverage in any of the past three years.

**NORTH CENTRAL PLANNING COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2018**

**NOTE 9      LINE OF CREDIT**

Line of Credit #164917 – The Council opened a new operating line of credit agreement on October 13, 2017 with Western State Bank. The limit on the line of credit is \$116,666 with an interest rate of 4.5%. The line of credit is secured by a security interest in all accounts and contract rights. There was no balance outstanding as of December 31, 2018.

Line of Credit #164918 – The Council opened a new operating line of credit agreement on October 13, 2017 with Western State Bank. The limit on the line of credit is \$250,000 with an interest rate of 4.5%. The line of credit is secured by a security interest in all accounts and contract rights. The balance outstanding as of December 31, 2018 was \$192,658.

Changes in the lines of credits for 2018 is as follows:

	January 1, 2018	Draws	Repayments	December 31, 2018
Line of Credit #917	\$ 100	\$ -	\$ 100	\$ -
Line of Credit #918	100	192,658	100	192,658
Total Line of Credits	<u>\$ 200</u>	<u>\$ 192,658</u>	<u>\$ 200</u>	<u>\$ 192,658</u>

**NOTE 10      SEQUESTERED FUNDS/RESTRICTED FUND BALANCE**

If the RLF recipient fails to satisfy the capital utilization standard for two consecutive reporting periods, the Economic Development Administration (EDA) may require the RLF recipient to deposit excess funds in an interest-bearing account. The portion of interest earned on the account holding excess funds attributable to the federal share of the RLF grant shall be remitted to the U.S. Treasury. The RLF recipient must obtain the EDA’s written authorization to withdraw any sequestered funds.

On December 31, 2018, the Council had no sequestered funds held.

**NOTE 11      NEW ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. It also establishes disclosure of information about the nature of a government’s AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged

**NORTH CENTRAL PLANNING COUNCIL**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2018

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 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. 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.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement is effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

**NORTH CENTRAL PLANNING COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2018**

GASB Statement No. 90, *Majority Equity Interests*, provides guidance for reporting when a government has majority equity interest in legally separate organizations. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. If government's holding of that equity interest meets the definition of an investment, as defined by GASB No. 72, the equity interest should be reported as an investment and measured using the equity method and not as a component unit of the government. If a government's holding of a majority interest in a legally separate organization does not meet the definition of an investment, the holding of the majority equity interest results in the government being financially accountable for the organization and therefore, the government should report the legally separate organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

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

With the exception of the new standards discussed above, we have not identified any other new accounting pronouncements that have potential significance to the Company's Financial Statements

**NOTE 12      SUBSEQUENT EVENTS**

No significant events occurred subsequent to the Council's year end. The Council has evaluated subsequent events through April 24, 2019, the date which the financial statements were available to be issued.



SUPPLEMENTARY INFORMATION

**NORTH CENTRAL PLANNING COUNCIL**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**DECEMBER 31, 2018**

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
<b><u>Department of Housing and Urban Development, ND Department of Commerce</u></b>		
Community Development Block Grants	14.228	\$ 7,618
<b>Total Department of Housing and Urban Development</b>		<u>7,618</u>
<b><u>U.S. Department of Commerce - Direct</u></b>		
Economic Development - Support for Planning Organizations	11.302	70,000
Economic Adjustment Assistance - Economic Development Cluster	11.307	880,333
<b>Total U.S. Department of Commerce</b>		<u>950,333</u>
<b><u>Small Business Administration, The University of North Dakota</u></b>		
Small Business Development Centers	59.037	14,617
<b>Total Small Business Administration</b>		<u>14,617</u>
<b><u>U.S. Department of Agriculture</u></b>		
Rural Business Development Grants	10.351	209,514
Rural Housing Preservation Grants	10.433	116,666
<b>Total U.S. Department of Commerce</b>		<u>326,180</u>
<b>Total Federal Expenditures</b>		<u>\$ 1,298,748</u>

SEE NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**NORTH CENTRAL PLANNING COUNCIL**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2018

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of North Central Planning Council under programs of the federal government for the year ended December 31, 2018. 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 North Central Planning Council, it is not intended to and does not present the financial statements of the governmental activities and each major fund of North Central Planning Council.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. North Central Planning Council has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3 LOAN PROGRAMS**

The Council manages a federal loan program, the Revolving Loan Fund, through the U.S. Economic Development Administration (EDA). The calculation of the federal expenditures related to the Revolving Loan Fund is as follows:

End of year loan balance	\$ 956,063
End of year cash balance	208,133
Current year loans written off	-
Current year administrative expenses	15,243
Total expenditures	1,179,439
Federal percentage	74.64%
Total federal expenditures	\$ 880,333

**NORTH CENTRAL PLANNING COUNCIL**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED  
DECEMBER 31, 2018

**NOTE 4 FEDERAL PORTION OF REVENUE CALCULATIONS**

The Council received funds from an agency which were comprised of both federal and non-federal dollars. The calculation of the federal amounts of funding for proper presentation in the Schedule of Expenditures of Federal Awards are as follows:

Small Business Development Centers Revenue	
Total received	\$ 38,214
Federal portion of award	38.25%
Federal portion of award for SEFA	\$ 14,617

**NOTE 5 RECONCILIATION OF SEFA SCHEDULE TO FINANCIAL STATEMENTS**

The following schedule ties the total amount of federal awards as stated on the SEFA schedule to the financial statements:

Per statement of receipts, disbursements and changes in fund balance - governmental funds:	
Grant revenue:	
EDA planning grant	\$ 70,000
CDBG administration	7,618
USDA housing preservation grant	105,725
Federal portion of SBDC grant as calculated in SEFA footnote 4	14,617
Non-federal portion of revenue	38,997
Total grant revenue	236,957
Administration income:	
Housing preservation grant	1,875
Non-federal portion of revenue	74,339
Total administration income	76,214
Less total non-federal portions	(113,336)
Expenditures not reimbursed by year end:	
Housing preservation grant	9,066
Rural Business Development grant	209,514
Total expenditures not reimbursed by year end	218,580
Federal expenditure of Revolving Loan Fund as calculated in SEFA footnote 3	880,333
Total federal awards as stated on the SEFA schedule	\$ 1,298,748

**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  
North Central Planning Council  
Devils Lake, 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 modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Central Planning Council, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the North Central Planning Council's basic financial statements and have issued our report thereon dated April 24, 2019.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered North Central 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Central Planning Council's internal control. Accordingly, we do not express an opinion on the effectiveness of North Central Planning Council's internal control.

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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described as items 2018-001 and 2018-002 in the accompanying schedule of findings and questioned costs to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described as item 2018-003 in the accompanying schedule of findings and questioned costs to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the North Central 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*.

### **North Central Planning Council's Responses to Findings**

North Central Planning Council's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. North Central 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**

April 24, 2019

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

To the Board of Directors  
North Central Planning Council  
Devils Lake, North Dakota

### Report on Compliance for Each Major Federal Program

We have audited North Central 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 the North Central Planning Council's major federal programs for the year ended December 31, 2018. North Central 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 the North Central 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 North Central 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 the North Central Planning Council's compliance.

## Opinion on Each Major Federal Program

In our opinion, the North Central 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, 2018.

## Report on Internal Control Over Compliance

Management of North Central 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 North Central 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 North Central 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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**

April 24, 2019



**NORTH CENTRAL PLANNING COUNCIL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YER ENDED DECEMBER 31, 2018**

**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 weaknesses? X yes \_\_\_ no

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 weaknesses? \_\_\_ yes X no

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  
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 Cluster

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

Auditee qualified as low-risk auditee? \_\_\_ yes X no

**NORTH CENTRAL PLANNING COUNCIL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**Section II – Financial Statement Findings**

2018-001      Financial Statement Preparation – Material Weakness

Criteria:                    An appropriate system of internal controls requires that the Council must make a determination that financial statements are properly stated in compliance with the modified cash basis of accounting. This requires the Council's personnel to maintain knowledge of current accounting principles and required financial statement disclosures.

Condition/Context:      The Council's auditors prepared the financial statements as of December 31, 2018. The Council does not have controls necessary to assess whether all relevant disclosures have been included in the financial statements as required by the modified cash basis of accounting. The lack of appropriate disclosures may affect the user's judgment related to financial condition and results of operations of the Council.

Cause:                      The Council has a limited number of staff available to maintain knowledge of current accounting principles and required financial statement disclosures.

Effect:                      An appropriate system of internal controls is not present to make a determination that financial statements are properly stated in compliance with the modified cash basis of accounting.

Recommendation:      Compensating controls over financial statement disclosure requirements could be provided by the use of current disclosure checklists or the outsourcing of the financial statement preparation or review function.

View of responsible officials and corrective actions:      We agree with this finding. See corrective action plan item 2018-001.

Indication of repeat finding:                    This is a repeat finding. See finding 2017-001.

NORTH CENTRAL PLANNING COUNCIL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2018

2018-002      Significant Adjusting Entries– Material Weakness

Criteria:                    The Council is required to maintain internal controls at a level where underlying support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected on the modified cash basis of accounting.

Condition/Context:      During our audit, material adjusting entries to the financial statements were proposed in order to bring the financial statements into compliance with the modified cash basis of accounting. The Council is required to maintain internal controls at a level where a determination can be made that the general ledger accounts are properly reflected on the modified cash basis of accounting.

Cause:                      The Council has a limited number of staff available to determine the proper balance of each general ledger account prior to the start of the audit.

Effect:                      The Council does not maintain internal controls at a level where a determination can be made that the general ledger accounts are properly reflected on the modified cash basis of accounting.

Recommendation:      In order to comply with this requirement, accounting personnel will need to determine the proper balance of each general ledger account prior to the start of the audit.

View of responsible officials and corrective actions:      We agree with this finding. See corrective action plan item 2018-002.

Indication of repeat finding:      This is a repeat finding. See finding 2017-002.

NORTH CENTRAL PLANNING COUNCIL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2018

2018-003 Segregation of Duties– Significant Deficiency

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

Condition/Context: 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: We agree with this finding. See corrective action plan item 2018-003.

Indication of repeat finding:

This is a repeat finding. See finding 2017-003.

**Section III: Findings and Questioned Costs for Federal Awards**

There are no findings which are required to be reported under this section.

NORTH CENTRAL PLANNING COUNCIL  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2018

2017-001 Financial Statement Preparation – Material Weakness

- Criteria: An appropriate system of internal controls requires that the Council must make a determination that financial statements are properly stated in compliance with the modified cash basis of accounting. This requires the Council's personnel to maintain knowledge of current accounting principles and required financial statement disclosures.
- Condition/Context: The Council's auditors prepared the financial statements as of December 31, 2017. The Council does not have controls necessary to assess whether all relevant disclosures have been included in the financial statements as required by the modified cash basis of accounting. The lack of appropriate disclosures may affect the user's judgment related to financial condition and results of operations of the Council.
- Cause: The Council has a limited number of staff available to maintain knowledge of current accounting principles and required financial statement disclosures.
- Effect: An appropriate system of internal controls is not present to make a determination that financial statements are properly stated in compliance with the modified cash basis of accounting.
- Status: This is a repeat finding, see current year finding 2018-001.

2017-002 Significant Adjusting Entries– Material Weakness

- Criteria: The Council is required to maintain internal controls at a level where underlying support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected on the modified cash basis of accounting.
- Condition/Context: During our audit, material adjusting entries to the financial statements were proposed in order to bring the financial statements into compliance with the modified cash basis of accounting. The Council is required to maintain internal controls at a level where a determination can be made that the general ledger accounts are properly reflected on the modified cash basis of accounting.
- Cause: The Council has a limited number of staff available to determine the proper balance of each general ledger account prior to the start of the audit.
- Effect: The Council does not maintain internal controls at a level where a determination can be made that the general ledger accounts are properly reflected on the modified cash basis of accounting.
- Status: This is a repeat finding, see current year finding 2018-002.

**NORTH CENTRAL PLANNING COUNCIL**  
**SCHEDULE OF PRIOR YEAR FINDINGS – CONTINUED**  
**DECEMBER 31, 2018**

2017-003 Segregation of Duties– Significant Deficiency

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

Condition/Context: 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.

Status: This is a repeat finding, see current year finding 2018-003.

**NORTH CENTRAL PLANNING COUNCIL  
CORRECTIVE ACTION PLAN  
DECEMBER 31, 2018**

2018-001

Contact Person – Sandy Shively

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, 2018

2018-002

Contact Person – Sandy Shively

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, 2018

2018-003

Contact Person – Sandy Shively

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, 2018