

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

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2020**

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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, 2020, 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 opinions.

## **Opinions**

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, 2020, 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**

### *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 opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 June 22, 2021, 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**

June 22, 2021

**NORTH CENTRAL PLANNING COUNCIL**  
**STATEMENT OF NET POSITION – MODIFIED CASH BASIS**  
**DECEMBER 31, 2020**

ASSETS	<u>Total</u>
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 400,610
Current portion of notes receivable	<u>138,641</u>
Total current assets	<u>539,251</u>
<b>CAPITAL ASSETS</b>	<u>154,960</u>
<b>OTHER ASSETS</b>	
Notes receivable, net of current portion and allowance of \$40,000	<u>946,256</u>
Total assets	<u>1,640,467</u>
<b>LIABILITIES AND NET POSITION</b>	
<b>LIABILITIES</b>	
Payroll liabilities	2,344
Due to other entities	<u>12</u>
Total liabilities	<u>2,356</u>
<b>NET POSITION</b>	
Net investment in capital assets	154,960
Restricted	
Restricted for economic development	1,158,934
Unrestricted	<u>324,217</u>
Total net position	<u><u>\$ 1,638,111</u></u>

SEE NOTES TO THE FINANCIAL STATEMENTS

**NORTH CENTRAL PLANNING COUNCIL**  
**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

Program Activities	Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Net Position
		Charges for Services	Operating Grants & Contributions	
Governmental activities				
Economic development	\$ 425,290	\$ 61,927	\$ 364,512	\$ 1,149
Lending programs	18,688	38,200	-	19,512
Total Government activities	<u>\$ 443,978</u>	<u>\$ 100,127</u>	<u>\$ 364,512</u>	<u>20,661</u>
General revenues				
County contributions				86,378
Interest income				246
Miscellaneous				1,915
Total general revenues				<u>88,539</u>
Change in net position				109,200
Net position - January 1				<u>1,528,911</u>
Net position - December 31				<u>\$ 1,638,111</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

**NORTH CENTRAL PLANNING COUNCIL**  
**BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**DECEMBER 31, 2020**

ASSETS	Major Funds		Total
	General Fund	Revolving Loan Fund	Governmental Funds
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 326,573	\$ 74,037	\$ 400,610
Current portion of notes receivable	-	138,641	138,641
Total current assets	<u>326,573</u>	<u>212,678</u>	<u>539,251</u>
<b>OTHER ASSETS</b>			
Notes receivable, net of current portion and allowance of \$40,000	-	946,256	946,256
Total other assets	-	946,256	946,256
Total assets	<u>\$ 326,573</u>	<u>\$ 1,158,934</u>	<u>\$ 1,485,507</u>
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>			
Payroll liabilities	\$ 2,344	\$ -	\$ 2,344
Due to other entities	12	-	12
Total current liabilities	<u>2,356</u>	<u>-</u>	<u>2,356</u>
<b>NET POSITION</b>			
Nonspendable	-	1,084,897	1,084,897
Spendable			
Restricted			
Revolving loan funds	-	74,037	74,037
Unassigned	324,217	-	324,217
Total net position	<u>324,217</u>	<u>1,158,934</u>	<u>1,483,151</u>
Total liabilities and net position	<u>\$ 326,573</u>	<u>\$ 1,158,934</u>	<u>\$ 1,485,507</u>

SEE NOTES TO THE FINANCIAL STATEMENTS



**NORTH CENTRAL PLANNING COUNCIL**  
**RECONCILIATION OF THE MODIFIED CASH BASIS GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION – MODIFIED CASH BASIS**  
**DECEMBER 31, 2020**

Total Governmental Funds Balance	\$ 1,483,151
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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	<u>(41,380)</u>	
Net capital assets		<u>154,960</u>

Net Position of Governmental Activities	\$ <u>1,638,111</u>
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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, 2020**

	Major Funds		Total Governmental Funds
	General Fund	Revolving Loan Fund	
<b>OPERATING RECEIPTS</b>			
Grants	\$ 354,704	\$ -	\$ 354,704
Grant reimbursement income	9,808	-	9,808
County contributions	86,378	-	86,378
Administration income	61,927	-	61,927
Miscellaneous	1,915	-	1,915
Interest income from loans	-	38,200	38,200
<b>TOTAL OPERATING RECEIPTS</b>	<b>514,732</b>	<b>38,200</b>	<b>552,932</b>
<b>DISBURSEMENTS</b>			
Current:			
Salaries & benefits	236,303	-	236,303
Advertising	2,679	-	2,679
Dues & subscriptions	2,185	-	2,185
Janitorial service	1,896	-	1,896
Insurance	1,275	-	1,275
Interest & fees	80	-	80
Legal & professional	14,665	-	14,665
Office expense	9,643	-	9,643
Repairs and maintenance	525	-	525
Printing and postage	980	-	980
Telephone	3,334	-	3,334
Training & seminars	3,943	-	3,943
Travel & meetings	4,927	-	4,927
Housing preservation	121,055	-	121,055
Miscellaneous	1,110	-	1,110
Total current	404,600	-	404,600
Debt service:			
Administration expense	-	18,688	18,688
<b>TOTAL DISBURSEMENTS</b>	<b>404,600</b>	<b>18,688</b>	<b>423,288</b>
Operating income (loss)	110,132	19,512	129,644
<b>NON-OPERATING REVENUE</b>			
Interest income from banks	246	-	246
<b>TOTAL NON-OPERATING INCOME</b>	<b>246</b>	<b>-</b>	<b>246</b>
Net change in fund balances	110,378	19,512	129,890
Net position - January 1	213,839	1,139,422	1,353,261
Net position - December 31	<u>\$ 324,217</u>	<u>\$ 1,158,934</u>	<u>\$ 1,483,151</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

**NORTH CENTRAL PLANNING COUNCIL**  
RECONCILIATION OF THE MODIFIED CASH BASIS GOVERNMENTAL FUNDS  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE TO  
THE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2020

Net Change in Fund Balance - Total Governmental Funds \$ 129,890

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

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

The amount of depreciation expense for the current year is: (20,690)

Total Change in Net Position of Governmental Activities \$ 109,200

SEE NOTES TO THE FINANCIAL STATEMENTS

**NORTH CENTRAL PLANNING COUNCIL**  
**STATEMENT OF ASSETS AND LIABILITIES – FIDUCIARY FUNDS –**  
**MODIFIED CASH BASIS**  
**DECEMBER 31, 2020**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	<u>\$ 234</u>
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LIABILITIES AND NET POSITION

LIABILITIES

Due to CDBG	<u>\$ 234</u>
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SEE NOTES TO THE FINANCIAL STATEMENTS

**NORTH CENTRAL PLANNING COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**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, 2020**

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, 2020**

The statement of activities – 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, 2020

*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, 2020**

**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. 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 \$40,000 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, 2020.

**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.

The Council's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions, and other evidence.

**NORTH CENTRAL PLANNING COUNCIL**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2020

**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 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.

**NORTH CENTRAL PLANNING COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

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.

**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, 2020.

**NORTH CENTRAL PLANNING COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**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.

**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 CAPITAL ASSETS**

Details pertaining to capital assets and accumulated depreciation as of December 31, 2020 is as follows:

	Cost	Accumulated Depreciation	Net Book Value
Equipment	\$ 179,028	\$ 29,838	\$ 149,190
Software	17,312	11,542	5,770
<b>Total</b>	<b>\$ 196,340</b>	<b>\$ 41,380</b>	<b>\$ 154,960</b>

Depreciation expense on capital assets totaled \$20,690 for the year ended December 31, 2020.

**NOTE 5 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 2021 through 2039, secured with personal guarantees, inventory, property, and equipment.	\$ 1,124,897
Less: current portion of notes receivable	(138,641)
Total long-term notes receivable	986,256
Less: allowance for doubtful accounts	(40,000)
Total long-term notes receivable, net	<b>\$ 946,256</b>

The Council did not have any past due and nonaccrual notes receivable as of December 31, 2020.

**NORTH CENTRAL PLANNING COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**NOTE 6 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, 2020, the Council contributed \$6,818. The plan is a defined contribution plan and the Council is only liable for current contributions.

**NOTE 7 LEASES**

During 2020, 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 8 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 9 RISK MANAGEMENT**

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1986, the state and other political subdivisions joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Council pays an annual premium to NDIRF for its general liability and automobile insurance coverage. The coverage by NDIRF 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.

**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, 2020, the Council had no sequestered funds held.

**NORTH CENTRAL PLANNING COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**NOTE 11      UNCERTAIN TAX POSITIONS**

It is the opinion of management that the Council has no significant uncertain tax positions that would be subject to change upon examination. The federal income tax returns of the Council are subject to examination by the IRS, generally for three years after they were filed. All tax filings are up-to-date.

**NOTE 12      RISKS AND UNCERTAINTIES**

On March 11, 2020 the World Health Organization declared COVID-19 a global pandemic. Federal, state and local governments have since implemented various restrictions on travel, public gatherings, and business operations. While the Council has been able to remain active, restrictions and government social distancing recommendations have significantly impacted the activities of the Council. While the Council expects this matter to negatively impact its results of operations and financial condition, the extent of the impact is uncertain.

**NOTE 13      NEW ACCOUNTING PRONOUNCEMENTS**

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 June 15, 2021. 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, 2020. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

**NORTH CENTRAL PLANNING COUNCIL**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2020

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that result from the replacement of IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

**NORTH CENTRAL PLANNING COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

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

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

**NOTE 14 SUBSEQUENT EVENTS**

No significant events occurred subsequent to the Council's year end. The Council has evaluated subsequent events through June 22, 2021, the date which the financial statements were available to be issued.



SUPPLEMENTARY INFORMATION

**NORTH CENTRAL PLANNING COUNCIL**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Identifying Pass-Through Grant Number</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
<b><u>U.S. Department of Commerce, Economic Development</u></b>			
<b><u>Administration Public Works</u></b>			
Economic Development - Support for Planning Organizations	N/A	11.302	\$ 70,000
Economic Adjustment Assistance - Revolving Loan Fund	N/A	11.307	908,834
Economic Adjustment Assistance - CARES Act grant	N/A	11.307	96,184
<b>Total U.S. Department of Commerce</b>			<b>1,075,018</b>
<b><u>Department of Housing and Urban Development</u></b>			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	N/A	14.228	15,229
<b>Total Department of Housing and Urban Development</b>			<b>15,229</b>
<b><u>Small Business Administration</u></b>			
Passed through the University of North Dakota: Small Business Development Centers	Unknown	59.037	10,914
<b>Total Small Business Administration</b>			<b>10,914</b>
<b><u>U.S. Department of Agriculture, Rural Development</u></b>			
Rural Housing Preservation Grants	N/A	10.433	128,029
<b>Total U.S. Department of Agriculture</b>			<b>128,029</b>
<b>Total Federal Expenditures</b>			<b>\$ 1,229,190</b>

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, 2020

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported in the schedule of expenditures of federal awards (the "Schedule") are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. 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.

**NOTE 2 INDIRECT COST RATE**

The Council has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 3 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, 2020. 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, each major fund, and remaining fund information of North Central Planning Council.

**NOTE 4 LOAN PROGRAMS**

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

End of year loan balance	\$ 1,124,897
End of year cash balance	74,139
Current year administrative expenses	<u>18,587</u>
Total expenditures	1,217,623
Federal percentage	<u>74.64%</u>
Total federal expenditures	<u><u>\$ 908,834</u></u>

**NORTH CENTRAL PLANNING COUNCIL**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED  
DECEMBER 31, 2020

**NOTE 5 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	\$ 20,178
Federal portion of award	38.25%
Federal portion of award for SEFA	\$ 7,718

**NOTE 6 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
EDA Cares grant	96,184
USDA housing preservation grant	129,517
Federal portion of SBDC grant as calculated in SEFA footnote 5	7,718
SBDC Scoring and ranking grant	15,229
Cares grant	3,196
Non-federal portion of revenue	32,860
Total grant revenue	354,704
Less total non-federal portions	(32,860)
Housing preservation grant	
Expenditures not reimbursed by year end:	1,014
Reimbursements of prior year expenses	(2,502)
Total	(1,488)
Federal expenditure of Revolving Loan Fund as calculated in SEFA footnote 4	908,834
Total federal awards as stated on the SEFA schedule	\$ 1,229,190

**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, 2020, 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 June 22, 2021.

**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) as a basis for designing 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 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 preceding paragraph 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 Council's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described as items 2020-001 and 2020-002 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 2020-003 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 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 the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

June 22, 2021

## 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 North Central Planning Council's major federal programs for the year ended December 31, 2020. North Central Planning Council's major federal program is 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, 2020.

## 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. 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**

June 22, 2021



**NORTH CENTRAL PLANNING COUNCIL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

**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, 2020**

2020-001      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's internal controls have not been designed to address the specific training needs that are required of its personnel to obtain and maintain knowledge of current accounting principles to the level required to prevent and detect all material misstatements.

**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 2020-002.

**Indication of repeat finding:**                    This is a repeat finding. See finding 2019-002.

**NORTH CENTRAL PLANNING COUNCIL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

2020-002 Segregation of Duties– Significant Deficiency

Criteria: 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 2020-003.

Indication of repeat finding: This is a repeat finding. See finding 2019-003.

**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, 2020**

2019-001 Financial Statement Preparation – Material Weakness

- Criteria:** An appropriate system of internal control requires the Council to prepare financial statements in compliance with the modified cash basis of accounting.
- Condition:** The Council's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the Council currently does not prepare financial statements, including accompanying note disclosures, as required by the modified cash basis of accounting. The Council has elected to have the auditors assist in the preparation of the financial statements and note disclosures.
- Cause:** The Council elected to not allocate resources for the preparation of the financial statements.
- Effect:** There is an increased risk of material misstatement to the Council's financial statements.
- Status:** This is a repeat finding, see current year finding 2020-001.

2019-002 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's internal controls have not been designed to address the specific training needs that are required of its personnel to obtain and maintain knowledge of current accounting principles to the level required to prevent and detect all material misstatements.
- 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 finding has been addressed by management in the current year. Management has completed a disclosure checklist verifying their understanding of required disclosures in the financial statements. This is not a repeat finding in the current year.

**NORTH CENTRAL PLANNING COUNCIL**  
**SCHEDULE OF PRIOR YEAR FINDINGS – CONTINUED**  
**DECEMBER 31, 2020**

2019-003 Segregation of Duties– Significant Deficiency

Criteria: 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 2020-003.



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2020-001

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 material weakness.

Completion Date – December 31, 2020

2020-002

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, 2020