

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

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Central Planning Council, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

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 North Central Planning Council as of December 31, 2023, 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 for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of North Central Planning Council and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 North Central Planning Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about North Central Planning Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2023, 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 15, 2023

NORTH CENTRAL PLANNING COUNCIL
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2023

| ASSETS | <u>Total</u> |
|---|---------------------|
| CURRENT ASSETS | |
| Cash and cash equivalents | \$ 741,215 |
| Current portion of notes receivable | <u>321,231</u> |
| Total current assets | <u>1,062,446</u> |
| CAPITAL ASSETS | <u>313,930</u> |
| OTHER ASSETS | |
| Notes receivable, net | <u>1,764,612</u> |
| Total assets | <u>3,140,988</u> |
| LIABILITIES AND NET POSITION | |
| LIABILITIES | |
| Payroll liabilities | <u>-</u> |
| Total liabilities | <u>-</u> |
| NET POSITION | |
| Net investment in capital assets | 313,930 |
| Restricted | |
| Restricted for economic development | 2,412,749 |
| Unrestricted | <u>414,309</u> |
| Total net position | <u>\$ 3,140,988</u> |

SEE NOTES TO THE FINANCIAL STATEMENTS

NORTH CENTRAL PLANNING COUNCIL
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023

| Program Activities | Disbursements | Program Receipts | | Net (Disbursements) Receipts and Changes in Net Position |
|-----------------------------|-------------------|-------------------------|--|---|
| | | Charges for Services | Operating Grants & Contributions | |
| Governmental activities | | | | |
| Economic development | \$ 425,545 | \$ 116,668 | \$ 494,858 | \$ 185,981 |
| Lending programs | 30,058 | 38,470 | 26,348 | 34,760 |
| Total Government activities | <u>\$ 455,603</u> | <u>\$ 155,138</u> | <u>\$ 521,206</u> | <u>220,741</u> |
| General revenues | | | | |
| County contributions | | | | 91,263 |
| Interest income | | | | 2,263 |
| Total general revenues | | | | <u>93,526</u> |
| Change in net position | | | | 314,267 |
| Net position - January 1 | | | | <u>2,826,721</u> |
| Net position - December 31 | | | | <u>\$ 3,140,988</u> |

SEE NOTES TO THE FINANCIAL STATEMENTS

NORTH CENTRAL PLANNING COUNCIL
BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
DECEMBER 31, 2023

| ASSETS | Major Funds | | | Total Governmental Funds |
|---|--------------|------------------------|---------------------------------------|--------------------------------|
| | General Fund | Revolving Loan Fund | Revolving Loan Fund- CARES Funding | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | \$ 414,309 | \$ 147,878 | \$ 179,028 | \$ 741,215 |
| Current portion of notes receivable | - | 243,935 | 77,296 | 321,231 |
| Total current assets | 414,309 | 391,813 | 256,324 | 1,062,446 |
| OTHER ASSETS | | | | |
| Notes receivable, net of current portion and allowance of \$40,000 | - | 820,674 | 943,938 | 1,764,612 |
| Total assets | \$ 414,309 | \$ 1,212,487 | \$ 1,200,262 | \$ 2,827,058 |
| LIABILITIES AND NET POSITION | | | | |
| LIABILITIES | | | | |
| Payroll liabilities | \$ - | \$ - | \$ - | \$ - |
| Total current liabilities | - | - | - | - |
| NET POSITION | | | | |
| Nonspendable | - | 1,064,609 | 1,021,234 | 2,085,843 |
| Spendable | | | | |
| Restricted | | | | |
| Revolving loan funds | - | 147,878 | 179,028 | 326,906 |
| Unassigned | 414,309 | - | - | 414,309 |
| Total net position | 414,309 | 1,212,487 | 1,200,262 | 2,827,058 |
| Total liabilities and net position | \$ 414,309 | \$ 1,212,487 | \$ 1,200,262 | \$ 2,827,058 |

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
FOR THE YEAR ENDED DECEMBER 31, 2023

| | |
|----------------------------------|--------------|
| Total Governmental Funds Balance | \$ 2,827,058 |
|----------------------------------|--------------|

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 | \$ 330,453 | |
| Less accumulated depreciation | <u>(16,523)</u> | |
| Net capital assets | | <u>313,930</u> |

| | |
|---|---------------------|
| Net Position of Governmental Activities | <u>\$ 3,140,988</u> |
|---|---------------------|

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, 2023

| | Major Funds | | | Total Governmental Funds |
|-------------------------------------|-------------------|------------------------|---|--------------------------------|
| | General Fund | Revolving Loan Fund | Revolving Loan Fund - CARES Funding | |
| OPERATING RECEIPTS | | | | |
| Grants | \$ 494,218 | \$ - | \$ - | \$ 494,218 |
| Grant reimbursement income | 640 | - | - | 640 |
| County contributions | 91,263 | - | - | 91,263 |
| Administration income | 116,668 | - | - | 116,668 |
| Miscellaneous | - | 1,000 | 2,000 | 3,000 |
| Interest income from loans | - | 37,470 | 24,348 | 61,818 |
| TOTAL OPERATING RECEIPTS | 702,789 | 38,470 | 26,348 | 767,607 |
| DISBURSEMENTS | | | | |
| Current: | | | | |
| Salaries & benefits | 257,621 | - | - | 257,621 |
| Administration expense | - | 19,168 | 10,890 | 30,058 |
| Advertising | 234 | - | - | 234 |
| Dues & subscriptions | 3,249 | - | - | 3,249 |
| Janitorial service | 1,828 | - | - | 1,828 |
| Insurance | 1,322 | - | - | 1,322 |
| Interest & fees | 42 | - | - | 42 |
| Legal & professional | 20,830 | - | - | 20,830 |
| Office expense | 8,062 | - | - | 8,062 |
| Repairs and maintenance | 4,148 | - | - | 4,148 |
| Printing and postage | 347 | - | - | 347 |
| Telephone | 3,014 | - | - | 3,014 |
| Training & seminars | 2,040 | - | - | 2,040 |
| Travel & meetings | 15,595 | - | - | 15,595 |
| Housing preservation | 81,102 | - | - | 81,102 |
| RWIP expenses | 3,389 | - | - | 3,389 |
| RFBC expense | 5,086 | - | - | 5,086 |
| Miscellaneous | 1,113 | - | - | 1,113 |
| Total current | 409,022 | 19,168 | 10,890 | 439,080 |
| Capital outlay | 330,453 | - | - | 330,453 |
| TOTAL DISBURSEMENTS | 739,475 | 19,168 | 10,890 | 769,533 |
| Operating income (loss) | (36,686) | 19,302 | 15,458 | (1,926) |
| NON-OPERATING RECEIPTS | | | | |
| Interest income from banks | 2,263 | - | - | 2,263 |
| TOTAL NON-OPERATING RECEIPTS | 2,263 | - | - | 2,263 |
| Net change in fund balances | (34,423) | 19,302 | 15,458 | 337 |
| Net position - January 1 | 447,833 | 1,193,185 | 1,185,703 | 2,826,721 |
| Net position - December 31 | <u>\$ 413,410</u> | <u>\$ 1,212,487</u> | <u>\$ 1,201,161</u> | <u>\$ 2,827,058</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, 2023

| | | |
|---|----|-----|
| Net Change in Fund Balance - Total Governmental Funds | \$ | 337 |
|---|----|-----|

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: | \$ | 330,453 |
|---|----|---------|

| | | |
|---|--|----------|
| 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: | | (16,523) |
| | | (16,523) |

| | | |
|---|----|---------|
| Total Change in Net Position of Governmental Activities | \$ | 314,267 |
| | | 314,267 |

SEE NOTES TO THE FINANCIAL STATEMENTS

NORTH CENTRAL PLANNING COUNCIL
STATEMENT OF FIDUCIARY NET POSITION –
MODIFIED CASH BASIS
DECEMBER 31, 2023

ASSETS

CURRENT ASSETS

| | |
|---------------------------|---------------|
| Cash and cash equivalents | <u>\$ 282</u> |
|---------------------------|---------------|

LIABILITIES

LIABILITIES

| | |
|-------------|---------------|
| Due to CDBG | <u>\$ 282</u> |
|-------------|---------------|

SEE NOTES TO THE FINANCIAL STATEMENTS

NORTH CENTRAL PLANNING COUNCIL
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION –
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023

| | <u>Custodial Fund</u> |
|--------------------------|-----------------------------------|
| ADDITIONS | |
| CDLF Receipts | <u>\$ 36,982</u> |
| Total Additions | 36,982 |
| DEDUCTIONS | |
| CDLF Expenditures | <u>36,982</u> |
| Total Deductions | 36,982 |
| Change in Net Position | - |
| Net Position - Beginning | <u>-</u> |
| Net Position - Ending | <u><u>\$ -</u></u> |

SEE NOTES TO THE FINANCIAL STATEMENTS

NORTH CENTRAL PLANNING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, 2023

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 – Modified Cash Basis 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, 2023

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.

Revolving Loan Fund – CARES Funding – The Revolving Loan Fund – CARES Funding was established to provide loans to entities in the Council's area that have been affected by the COVID-19 disaster 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 a custodial 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. 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, 2023

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, 2023

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, 2023.

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, 2023

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.

NORTH CENTRAL PLANNING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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.

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 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, 2023.

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.

NORTH CENTRAL PLANNING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 3 CAPITAL ASSETS

Details pertaining to capital assets and accumulated depreciation as of December 31, 2023 is as follows:

| <u>2023</u> | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> |
|-------------|-------------|-------------------------------------|---------------------------|
| Equipment | \$ 330,453 | \$ 16,523 | \$ 313,930 |

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 2.00% to 5.00%, with maturity dates ranging from 2024 through 2042, secured with personal guarantees, inventory, property, and equipment.

\$ 2,125,845

Less: Current portion of notes receivable

(321,231)

Total long-term notes receivable

1,804,614

Less: Allowance for doubtful accounts

(40,000)

Total long-term notes receivable, net

\$ 1,764,614

The Council did not have any past due and nonaccrual notes receivable as of December 31, 2023.

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, 2023, the Council contributed \$1,897. The plan is a defined contribution plan and the Council is only liable for current contributions.

NOTE 6 RENT

During 2023, the Council's facilities were owned and rented to the Council by Ramsey County. The Council does not pay rent to Ramsey County for the use of the office space, but the Council does not record in-kind income or expense related to the use of the office space as they report on the modified cash basis of accounting.

NORTH CENTRAL PLANNING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

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) and the Revolving Loan Fund – CARES Funding. 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 (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 9 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, 2023, the Council had no sequestered funds held.

NOTE 10 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 11 NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 99, *Omnibus 2022*, provides guidance on the following accounting matters:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

NORTH CENTRAL PLANNING COUNCIL
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.
- GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, enhances the accounting and financial reporting requirements for accounting changes and error corrections. The standard is effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences through aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The standard is effective for fiscal years beginning after December 15, 2023.

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 12 SUBSEQUENT EVENTS

No significant events occurred subsequent to the Council's year end. The Council has evaluated subsequent events through June 15, 2023, 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, 2023

| <i>Federal Grantor/Pass-Through Grantor/Program Title</i> | <i>Identifying Pass-Through Grant Number</i> | <i>Federal AL Number</i> | <i>Federal Expenditures</i> |
|---|---|-------------------------------------|--|
| <u>U.S. Department of Commerce, Economic Development Administration Public Works</u> | | | |
| Economic Development - Support for Planning Organizations | N/A | 11.302 | <u>\$ 70,000</u> |
| Economic Adjustment Assistance - CARES Act grant | N/A | 11.307 | 13,801 |
| Economic Adjustment Assistance - Revolving Loan Fund - CARES | N/A | 11.307 | <u>1,211,152</u> |
| Total Economic Adjustment Assistance | | | <u>1,224,953</u> |
| Total U.S. Department of Commerce | | | <u>1,294,953</u> |
| <u>North Dakota Regional Workforce Impact Program</u> | | | |
| Regional Workforce Impact Program | N/A | 21.027 | <u>333,841</u> |
| Total ND Regional Workforce Impact Program | | | <u>333,841</u> |
| <u>North Central Regional Food Business Center</u> | | | |
| Regional Food Business Center | N/A | 10.186 | <u>5,086</u> |
| Total North Central Regional Food Business Center | | | <u>5,086</u> |
| <u>U.S. Department of Agriculture, Rural Development</u> | | | |
| Rural Housing Preservation Grants | N/A | 10.433 | <u>81,102</u> |
| Total U.S. Department of Agriculture | | | <u>81,102</u> |
| <i>Total Federal Expenditures</i> | | | <u><u>\$ 1,714,982</u></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, 2023

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, 2023. 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 position or change in net position of North Central Planning Council.

NOTE 4 LOAN PROGRAMS

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

| | |
|--------------------------------------|----------------------------|
| End of year loan balance | \$ 1,021,234 |
| End of year cash balance | 179,028 |
| Current year administrative expenses | <u>10,890</u> |
| Total expenditures | 1,211,152 |
| Federal percentage | <u>100.00%</u> |
| Total federal expenditures | <u><u>\$ 1,211,152</u></u> |

NORTH CENTRAL PLANNING COUNCIL
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
DECEMBER 31, 2023

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 | \$ 31,345 |
| Federal portion of award | 44.03% |
| Federal portion of award for SEFA | <u>\$ 13,801</u> |

**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 North Central Planning Council, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise North Central Planning Council's basic financial statements, and have issued our report thereon dated June 15, 2023.

Report on 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 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.

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

Our consideration of the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 financial statements. 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

Government Auditing Standards requires the auditor to perform limited procedures on North Central Planning Council's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. North Central Planning Council's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 15, 2023

**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

Opinion on Each Major Federal Program

We have audited North Central Planning Council's compliance with the types of compliance requirements identified as subject to audit 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, 2023. 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.

In our opinion, 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, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of North Central Planning Council and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of North Central Planning Council's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to North Central Planning Council's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on North Central Planning Council's compliance based on our audit. Reasonable assurance is a high level of assurance but it is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about North Central Planning Council's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding North Central Planning Council's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of North Central Planning Council's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 North Central Planning Council's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 15, 2023

NORTH CENTRAL PLANNING COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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? ☐ yes ☒ no
 Significant Deficiency(ies) identified that are
 not considered to be material weaknesses? ☒ yes ☐ no

Noncompliance material to financial
statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? ☐ yes ☒ no
 Significant Deficiency(ies) identified that are
 not considered to be material weaknesses? ☐ yes ☒ 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 ☒ no

Identification of major programs:

| <u>AL 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 ☒ no

NORTH CENTRAL PLANNING COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2023

Section II - Financial Statement Findings

2023-001 Significant Adjusting Entries– Significant Deficiency

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, adjusting entries to the financial statements were proposed in order to bring the financial statements into compliance with 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 identify the adjustments necessary to properly reflect the financial statements in accordance with the modified cash basis of accounting.

Effect: The Council's financial statements were not properly stated in accordance with the modified cash basis of accounting prior to adjustments detected as a result of audit procedures.

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 2023-001.

Indication of repeat
finding: This is a repeat finding. See finding 2022-001.

NORTH CENTRAL PLANNING COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2023

2023-002 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 is subject to size and budget constraints limiting the number of personnel within the accounting department.

Effect: The design of internal control over financial reporting could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation: We recommend the organization review their internal controls over the accounting functions to determine if additional procedures can be implemented that are cost effective. The board should constantly be aware of this condition. Compensating controls that mitigate the related risks could be (or are) provided through appropriate oversight of the performance of these functions and review of the financial reports by individuals with knowledge of current operations and accounting principles.

View of responsible
officials and

corrective actions: We agree with this finding. See corrective action plan item 2023-002.

Indication of repeat
finding:

This is a repeat finding. See finding 2022-002.

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, 2023

2022-001 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 required of its personnel to identify the adjustments necessary to properly reflect the financial statements in accordance with the modified cash basis of accounting.

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 2023-001.

2022-002 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.

Status: This is a repeat finding, see current year finding 2023-002.

Corrective Action Plan – December 31, 2023

2023-001

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. However, management will continue to pursue a cost-effective means of correcting this finding.

Completion Date – December 31, 2023

2023-002

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. However, management will continue to pursue a cost-effective means of correcting this finding.

Completion Date – December 31, 2023