

October 8, 2018

North Central Economic Development Association, Inc.
Staples, Minnesota

Management of North Central Economic Development Association, Inc.:

In accordance with your request, we are attaching the accompanying PDF file, which contains an electronic final version of the financial statements of North Central Economic Development Association, Inc. as of June 30, 2018. We understand that your request for the electronic copy has been made as a matter of convenience. You understand that electronic transmissions are not entirely secure and that it is possible for confidential financial information to be intercepted by others.

These financial statements and our report(s) on them are not to be modified in any manner. This final version supersedes all prior drafts. Any preliminary draft version of the financial statements previously provided to you in an electronic format should be deleted from your computer, and all printed copies of any superseded preliminary draft versions should likewise be destroyed.

Professional standards and our firm policies require that we perform certain additional procedures whenever our reports are included, or we are named as accountants, auditors, or "experts," in a document used in a public or private offering of equity or debt securities. Accordingly, as provided for and agreed to in the terms of our arrangement letter, North Central Economic Development Association, Inc. will not include our reports, or otherwise make reference to us, in any public or private securities offering without first obtaining our consent. Any request to consent is also a matter for which separate arrangements will be necessary. After obtaining our consent, North Central Economic Development Association, Inc. also agrees to provide us with printer's proofs final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when North Central Economic Development Association, Inc. seeks such consent, we will be under no obligation to grant such consent or approval.

Thank you for the opportunity to serve you.

Sincerely,

SCHLENNER WENNER & CO.

**NORTH CENTRAL ECONOMIC
DEVELOPMENT ASSOCIATION, INC.**

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2018

**SCHLENNER WENNER & CO.
Certified Public Accountants
& Business Consultants**

**NORTH CENTRAL ECONOMIC DEVELOPMENT ASSOCIATION, INC.
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**FINANCIAL
SECTION**

INDEPENDENT AUDITORS' REPORT

October 8, 2018

Board of Directors
North Central Economic Development Association, Inc.
Staples, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of North Central Economic Development Association, Inc. (the Association), a nonprofit corporation, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 Association'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 Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Central Economic Development Association, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 October 8, 2018 on our consideration of North Central Economic Development Association, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Economic Development Association, Inc.'s internal control over financial reporting and compliance.

SCHLENNER WENNER & CO.

St. Cloud, Minnesota

BASIC FINANCIAL STATEMENTS

NORTH CENTRAL ECONOMIC DEVELOPMENT ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

	Revolving Loan Fund	Household Water Well System Fund	Microlending Fund	Entrepreneur Lending Program Fund	Total
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 168,270	\$ 26,308	\$ 75,052	\$ 2,820	\$ 272,450
Accounts Receivable	-	3,492	-	-	3,492
Due from Related Organization	-	134	-	-	134
Due from Other Governments	-	-	17,250	-	17,250
Internal Balances	-	-	(3,154)	3,154	-
Prepaid Expenses	1,186	-	1,362	-	2,548
Current Maturities of Loans Receivable	251,481	26,763	106,347	14,935	399,526
Total Current Assets	420,937	56,697	196,857	20,909	695,400
Noncurrent Assets:					
Loans Receivable, Less Current Maturities and Loan Loss Reserve	999,596	75,852	167,517	75,788	1,318,753
Property and Equipment:					
Equipment	-	-	11,100	-	11,100
Less: Accumulated Depreciation	-	-	(11,100)	-	(11,100)
Net Property and Equipment	-	-	-	-	-
Total Noncurrent Assets	999,596	75,852	167,517	75,788	1,318,753
TOTAL ASSETS	\$ 1,420,533	\$ 132,549	\$ 364,374	\$ 96,697	\$ 2,014,153
LIABILITIES AND NET ASSETS					
Current Liabilities:					
Due to Related Organization	\$ 6,270	\$ -	\$ 28,370	\$ 100	\$ 34,740
Current Maturities of Long-Term Debt	-	1,077	20,717	18,127	39,921
Total Current Liabilities	6,270	1,077	49,087	18,227	74,661
Noncurrent Liabilities:					
Long-Term Debt, Less Current Maturities	-	2,424	296,715	77,358	376,497
TOTAL LIABILITIES	6,270	3,501	345,802	95,585	451,158
NET ASSETS					
Temporarily Restricted	1,414,263	129,048	18,572	1,112	1,562,995
TOTAL LIABILITIES AND NET ASSETS	\$ 1,420,533	\$ 132,549	\$ 364,374	\$ 96,697	\$ 2,014,153

NORTH CENTRAL ECONOMIC DEVELOPMENT ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Temporarily Restricted				Total
	Revolving Loan Fund	Household Water Well System Fund	Microlending Fund	Entrepreneur Lending Program Fund	
REVENUES					
Loan Interest Income	\$ 58,245	\$ 1,224	\$ 15,242	\$ 2,486	\$ 77,197
Grant Revenue	-	-	36,300	-	36,300
Investment Income	598	64	31	-	693
Origination Fees	3,178	-	-	-	3,178
Miscellaneous	1,837	964	1,092	336	4,229
Loan Loss Reserve Adjustments	77,843	-	13,877	(1,852)	89,868
TOTAL REVENUES	141,701	2,252	66,542	970	211,465
EXPENSES					
Program Expenses					
Administrative Fees	32,600	-	36,300	-	68,900
Bank Fees	333	2	1,269	-	1,604
Credit Bureau Fees	344	-	-	-	344
Loan Interest	-	-	6,180	-	6,180
Recording Fees	433	158	403	81	1,075
Loan Losses	20,983	-	-	-	20,983
Total Program Expenses	54,693	160	44,152	81	99,086
Management and General Expenses					
Accounting and Audit	8,875	-	-	-	8,875
Insurance	1,186	-	-	-	1,186
Legal Fees	817	-	-	-	817
Mileage	680	-	-	-	680
Per Diem	1,590	-	-	-	1,590
Software	-	-	2,252	-	2,252
Miscellaneous	223	-	-	-	223
Total Management and General Expenses	13,371	-	2,252	-	15,623
TOTAL EXPENSES	68,064	160	46,404	81	114,709
CHANGE IN NET ASSETS	73,637	2,092	20,138	889	96,756
NET ASSETS - BEGINNING	1,340,626	126,956	(1,566)	223	1,466,239
NET ASSETS - ENDING	\$ 1,414,263	\$ 129,048	\$ 18,572	\$ 1,112	\$ 1,562,995

See accompanying notes.

NORTH CENTRAL ECONOMIC DEVELOPMENT ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Revolving Loan Fund	Household Water Well System Fund	Microlending Fund	Entrepreneur Lending Program Fund	Total
CASH FLOWS - OPERATING ACTIVITIES					
Cash Received from Customers	\$ 63,858	\$ 2,757	\$ 62,370	\$ 2,822	\$ 131,807
Cash Paid to Suppliers	<u>(53,785)</u>	<u>(749)</u>	<u>(69,052)</u>	<u>(81)</u>	<u>(123,667)</u>
NET CASH FLOWS - OPERATING ACTIVITIES	10,073	2,008	(6,682)	2,741	8,140
CASH FLOWS - INVESTING ACTIVITIES					
Issuance of Loan Receivables	(327,000)	(42,401)	(89,044)	(66,956)	(525,401)
Payments on Loan Receivables	<u>222,633</u>	<u>25,973</u>	<u>76,963</u>	<u>12,381</u>	<u>337,950</u>
NET CASH FLOWS - INVESTING ACTIVITIES	(104,367)	(16,428)	(12,081)	(54,575)	(187,451)
CASH FLOWS - FINANCING ACTIVITIES					
Proceeds on Long Term Debt	-	-	6,180	62,000	68,180
Interest Paid on Long Term Debt	-	-	(6,180)	-	(6,180)
Principal Payments on Long-Term Debt	-	(964)	(24,818)	(4,515)	(30,297)
Net Interfund Receipts (Payments)	<u>(5,335)</u>	<u>363</u>	<u>25,859</u>	<u>(20,887)</u>	<u>-</u>
NET CASH FLOWS - FINANCING ACTIVITIES	<u>(5,335)</u>	<u>(601)</u>	<u>1,041</u>	<u>36,598</u>	<u>31,703</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(99,629)	(15,021)	(17,722)	(15,236)	(147,608)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>267,899</u>	<u>41,329</u>	<u>92,774</u>	<u>18,056</u>	<u>420,058</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 168,270</u>	<u>\$ 26,308</u>	<u>\$ 75,052</u>	<u>\$ 2,820</u>	<u>\$ 272,450</u>

NORTH CENTRAL ECONOMIC DEVELOPMENT ASSOCIATION, INC.
STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Revolving Loan Fund</u>	<u>Household Water Well System Fund</u>	<u>Microlending Fund</u>	<u>Entrepreneur Lending Program Fund</u>	<u>Total</u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Change in Net Assets	\$ 73,637	\$ 2,092	\$ 20,138	\$ 889	\$ 96,756
Adjustments to Reconcile Change in Net Assets to Net Cash Flows - Operating Activities					
Loan Interest Paid	-	-	6,180	-	6,180
Net Loan Losses and Reserve Adjustments	(56,860)	-	(13,877)	1,852	(68,885)
Change in Assets and Liabilities:					
Accounts Receivable	-	639	-	-	639
Due from Other Governments	-	(134)	9,705	-	9,571
Prepaid Expenses	-	-	(374)	-	(374)
Accounts Payable	(5,240)	-	-	-	(5,240)
Due to Related Organization	(1,464)	(589)	(28,454)	-	(30,507)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 10,073</u>	<u>\$ 2,008</u>	<u>\$ (6,682)</u>	<u>\$ 2,741</u>	<u>\$ 8,140</u>

NORTH CENTRAL ECONOMIC DEVELOPMENT ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of the nature of operation and significant accounting policies of North Central Economic Development Association, Inc. (the Association) is presented to assist in understanding the Association's financial statements.

1.A. FINANCIAL REPORTING ENTITY

North Central Economic Development Association, Inc. is a nonprofit corporation organized for the purpose of promoting economic development through the operation of a revolving loan fund in a five county area comprised of Cass, Crow Wing, Morrison, Todd, and Wadena counties. Funds received from the U.S. Department of Commerce-Economic Development Administration and various local contributors are loaned to businesses within the five county area in order to create or increase employment and business opportunities by supplementing public and private capital.

The Association was formed for the purpose of managing Region Five Development Commission's revolving loan fund program. Region Five Development Commission has one board member that sits on the Association's board as a non-voting member. The Association is reported as a discrete component unit of the Region Five Development Commission.

1.B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of North Central Economic Development Association, Inc. are prepared on the accrual basis of accounting. Accordingly, the financial statements reflect all significant receivables, payables, and other liabilities. Revenues are recorded when earned, and expenses are recorded when incurred.

1.C. BASIS OF PRESENTATION

Fund Accounting

The financial statements of the reporting entity are organized into funds. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, net assets, revenues, and expenses. Resources are allocated to and accounted for in individual funds based upon the purposes and the means by which they are to be spent and the means by which spending activities are controlled.

The Association reports the following funds:

The *Revolving Loan Fund* represents funds reserved for the issuance of loans to the public to encourage economic development. The fund is maintained in compliance with the grant agreement. The balance of this fund at year end is considered a temporarily restricted net asset.

The *Household Water Well System Fund* represents funds reserved for the issuance of well water loans. The fund is maintained in compliance with the grant agreement. The balance of this fund at year end is considered a temporarily restricted net asset.

The *Microlending Fund* represents funds reserved for issuance of loans to businesses to finance approved rural economic development projects. The fund is maintained in compliance with the grant agreement. The balance of this fund at year end is considered a temporarily restricted net asset.

The *Entrepreneur Lending Program Fund* represents funds reserved for the issuance of loans to the public to encourage economic development. The fund is maintained in compliance with the grant agreement. The balance of this fund at year end is considered a temporarily restricted net asset.

NORTH CENTRAL ECONOMIC DEVELOPMENT ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.C. BASIS OF PRESENTATION (Continued)

Net Asset Classifications

The Association follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) *Not-for-Profit Entities* topic 958. The topic establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. The topic also requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the Association to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. A description of the three net asset categories follows:

Unrestricted – Those resources which are neither permanently restricted nor temporarily restricted by donor-imposed restrictions. These are resources over which the Board of Directors has discretionary control. Designated amounts represent those revenues which the Board has set aside for a particular purpose. As of June 30, 2018, the Association has no unrestricted net assets.

Temporarily Restricted – Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Association or by passage of time. The entire balance of each fund is considered to be temporarily restricted.

Permanently Restricted – Those resources subject to donor-imposed restriction that the resources be maintained permanently by the Association. As of June 30, 2018, the Association has no permanently restricted net assets.

At June 30, 2018, the Association had temporarily restricted net assets of \$1,562,995.

1.D. USE OF ESTIMATES

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

1.E. ASSETS, LIABILITIES, AND NET ASSETS

Cash and Cash Equivalents

The Association considers cash in financial institutions and all highly liquid instruments purchased with an original maturity of three months or less to be cash and cash equivalents.

The Association maintains its cash and cash equivalents at several separate financial institutions, which, at times, may exceed federally insured limits (FDIC). The Association has not experienced any losses in such accounts. Management believes it is not exposed to any significant custodial risk on cash. At June 30, 2018, the Association's bank balances are not in excess of federally insured limits.

See Note 2.A. for additional information related to Cash and Cash Equivalents.

Investments

The Association considers all financial instruments purchased with a maturity greater than three months to be investments. The Association does not hold any investments at June 30, 2018.

NORTH CENTRAL ECONOMIC DEVELOPMENT ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, AND NET ASSETS (Continued)

Internal balances

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those related to good and services type transactions are classified as "internal balances." See Note 2.E. for details of internal balances.

Loans Receivable

The Association issues notes to area businesses and individuals for the purpose of business development and well water assistance. The loans are used to assist economic development by providing funds for working capital, inventory acquisition and improvements and additions to capital assets. Terms of the notes typically require a shared second position in collateral, including one or more of the following: accounts receivable, inventory, equipment, real estate, and personal guarantees. Loans receivable are stated at unpaid principal balances, less an allowance for loan loss. Interest income is accrued on the unpaid principal balance. Related fees are recorded as earned.

Allowance for Loan Losses

The Association provides an allowance for doubtful loans which is offset against the gross amount of the loan. The allowance is an estimate of collection losses that may occur in the collection of all outstanding loans and is based upon historical experience along with management's review of the status of existing receivables.

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

At June 30, 2018, the allowance for loan losses totals \$58,887.

Impaired Loans

The Association defines a loan as impaired when it is probable the Association will be unable to collect all principal and interest payments due in accordance with the terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Interest continues to accrue on loans past due until the loan is recorded as a loan loss. Interest income on these loans is recorded as received.

Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

NORTH CENTRAL ECONOMIC DEVELOPMENT ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, AND NET ASSETS (Continued)

Property and Equipment

Property and equipment are carried at historical cost. Donated items are recorded at an estimated acquisition value measured as of the date of contribution. Such donations are reported as unrestricted support unless the donor has restricted the asset to a specific purpose. Replacements, maintenance, and repairs that do not improve or extend the life of the respective assets are expensed in the current period.

Depreciation is computed using the straight line method over the estimated useful lives of the assets as follows:

Equipment	5-7 years
Software	3 years

Depreciation expense amounts to \$0 for the fiscal year ended June 30, 2018.

1.F. REVENUES AND EXPENSES

Revenues

Operating revenues consist primarily of interest revenues from loans, investment income earned on deposits, and origination fees. Additionally, the Association receives recurring grant funding in connection with the facilitation of the related loan programs. All revenue from these sources is temporarily restricted.

Recognition of Contributions and Grants

The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulation that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction. Grants received are recorded as deferred revenue and recognized as revenue to the extent that qualified expenditures under the grant program have been incurred.

Expenses

The Association allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly to that program according to their natural expense classification. Other expenses that are common to several functions are allocated by various statistical bases as determined by management.

NORTH CENTRAL ECONOMIC DEVELOPMENT ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, net assets, revenues, and expenses.

2.A. CASH AND CASH EQUIVALENTS

Deposits

Cash and cash equivalents consists of the following at June 30, 2018:

	2018
Checking and Savings Accounts	\$ 222,758
Money Market Funds	49,692
Total	\$ 272,450

Investment income for the year ended June 30, 2018 totals \$693.

2.B. LOANS RECEIVABLE

The Association has a total of 88 loans outstanding with interest rates ranging from 1.0% to 8.5%. Several loans have modified payment terms and/or interest rates.

Loans receivable and the allowance for loan losses accounts at June 30, 2018 consist of the following:

	2018
Loans Receivable	\$ 1,777,166
Less: Allowance for Loan Loss	58,887
	1,718,279
Less: Current Maturities	399,526
Loans Receivable, Less Current Maturities and Allowance	\$ 1,318,753

2.C. PROPERTY AND EQUIPMENT

Property and equipment activity for the year ended June 30, 2018 is as follows:

	2018
Equipment	\$ 11,100
Less: Accumulated Depreciation	(11,100)
Net Property and Equipment	\$ -

NORTH CENTRAL ECONOMIC DEVELOPMENT ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.D. NONCURRENT LIABILITIES

As of June 30, 2018, the long-term debt of the Association consists of the following:

Note Payable - USDA; Original Principal \$400,000; Dated December 2011; Maturity date December 2031; Interest rate 2.00%, Monthly payments of \$2,240.	\$ 317,432
Note Payable - MN DEED; Original Principal \$10,000; Dated June 2017; Maturity date July 2022; Interest rate 0.00%, Monthly principal payments from loan clients passed through to DEED as received until fully repaid, Unsecured.	8,838
Note Payable - MN DEED; Original Principal \$23,000; Dated June 2017; Maturity date July 2022; Interest rate 0.00%, Monthly principal payments from loan clients passed through to DEED as received until fully repaid, Unsecured.	20,329
Note Payable - MN DEED; Original Principal \$5,000; Dated April 2017; Maturity date June 2022; Interest rate 0.00%, Monthly principal payments from loan clients passed through to DEED as received until fully repaid, Unsecured.	4,363
Note Payable - Related Organization; Original Principal \$10,534; Dated July 2012; Maturity date July 2022; Interest rate 1.00%, Monthly payments of \$92.	3,501
Note Payable - MN DEED; Original Principal \$34,000; Dated April 2018; Maturity date June 2028; Interest rate 0.00%, Monthly principal payments from loan clients passed through to DEED as received until fully repaid, Unsecured.	34,000
Note Payable - MN DEED; Original Principal \$12,000; Dated January 2018; Maturity date February 2023; Interest rate 0.00%, Monthly principal payments from loan clients passed through to DEED as received until fully repaid, Unsecured.	11,955
Note Payable - MN DEED; Original Principal \$16,000; Dated March 2018; Maturity date April 2023; Interest rate 0.00%, Monthly principal payments from loan clients passed through to DEED as received until fully repaid, Unsecured.	16,000
Total Long-Term Debt	416,418
Less: Current Portion	39,921
Long-Term Portion of Long-Term Debt	<u>\$ 376,497</u>

NORTH CENTRAL ECONOMIC DEVELOPMENT ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.D. NONCURRENT LIABILITIES (Continued)

Annual Debt Service Requirements

At June 30, 2018, estimated future payment obligations are as follows:

Years Ending June 30,	Principal	Interest	Total
2019	\$ 39,923	\$ 6,188	\$ 46,111
2020	38,675	5,759	44,434
2021	40,127	5,322	45,449
2022	39,931	4,880	44,811
2023	28,185	4,435	32,620
Thereafter	<u>229,577</u>	<u>18,458</u>	<u>248,035</u>
Totals	<u>\$ 416,418</u>	<u>\$ 45,042</u>	<u>\$ 461,460</u>

2.E. INTERNAL BALANCES

Internal balances are to be repaid as cash flows become available. The internal balances at June 30, 2018 are as follows:

Short-Term Balances		
Due to Fund	Due from Fund	Amount
Entrepreneur Lending Program Fund	Microlending Fund	<u>\$ 3,154</u>

NOTE 3 OTHER NOTES

3.A. CONTINGENCIES

The Association participates in numerous State and Federal grant programs, which are subject to program compliance audits pursuant of the Single Audit Act as amended. Accordingly, the Association's compliance with applicable grant requirements will be established at a future date. The amount of expenses which may be disallowed by the granting agencies cannot be determined at this time, although the Association anticipates such amounts, if any, will be immaterial.

The microlending program is a \$400,000 grant that was received from the U.S. Department of Agriculture for the purpose of issuing loans to businesses to finance approved rural economic development projects. This grant is to be repaid over 20 years with final maturity on December 1, 2031. In addition, the Association has applied for and received grant funds from other funding sources to create a loan loss reserve. This loan loss reserve will be used to cover any potential losses from outstanding microlending loan receivables.

A total of \$400,000 had been advanced on the USDA Microlending grant and \$287,557 was outstanding as microlending loans receivable from various businesses. An allowance of \$13,693 has been established in accordance with the procedures described at Note 1.E. In the event that the microlending loan receivables of \$287,557 result in default, the loan loss reserve of \$24,270 would partially cover these losses. The Association is exposed to a potential loss of \$263,287. The Association did not experience any such losses during the year ended June 30, 2018.

NORTH CENTRAL ECONOMIC DEVELOPMENT ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 OTHER NOTES (Continued)

3.B. COMMITMENTS

At June 30, 2018, the Association has funds of \$22,090 committed for new loans in the Household Water Well System Fund, \$5,000 in the Entrepreneur Lending Program Fund, and \$5,000 in the Microlending Fund.

3.C. RELATED PARTY TRANSACTIONS

The Association has entered into several agreements with Region Five Development Commission (the Commission) to manage the Commission's revolving loan fund programs. Related to these agreements and due to funds advanced for issuing a loan receivable, related party payables and receivables at June 30, 2018 are as follows:

	June 30, 2018
Due to Region Five Development Commission	34,740
Notes Payable Due to Region Five Development Commission	3,501
Total Related Party Payables	\$ 38,241
Due from Region Five Development Commission	\$ 134

Under these agreements, the Association contracts with Region Five Development Commission for administrative duties such as clerical support, loan packaging and accounting. For the year ended June 30, 2018, administrative expenses charged by the related party are as follows:

Administrative Fees	\$ 68,900
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3.D. INCOME TAXES

The Association follows FASB ASC Topic 740, Uncertainty in Income Taxes. The Association is recognized by the Internal Revenue Service as a not-for-profit organization under IRS Code Section 501(c)(3). Due to the not-for-profit nature and provision of the Association, all income and expenses attributable to the mission of the Association are tax exempt and accordingly no provision or liability for income taxes have been made in the financial statements and contributions to the Association are tax deductible to donors as allowed by IRS regulations. However, the Association is required to pay state and federal income taxes on unrelated business income. If the Association were to engage in any activities that resulted in unrelated business income, a tax would be assessed on that activity. The Association is open and subject to examination generally for three years after the filing date.

NORTH CENTRAL ECONOMIC DEVELOPMENT ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 OTHER NOTES (Continued)

3.E. RECENT ACCOUNTING PRONOUNCEMENTS

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Association has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

Financial Statement Presentation

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, requiring an entity to change the way it presents its financial statements. The updated standard will replace most existing financial statement presentation guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The effective date of ASU 2016-14 is for annual reporting periods beginning after December 15, 2017. The Association has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

3.F. SUBSEQUENT EVENTS

In accordance with FASB ASC Topic 885, *Subsequent Events*, the Association has evaluated subsequent events through October 8, 2018, which is the date these financial statements were available to be issued, and have determined there are no subsequent events that require recognition or disclosure.

**OTHER REQUIRED REPORTS
AND SCHEDULES**

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

October 8, 2018

Board of Directors
North Central Economic Development Association, Inc.
Staples, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of North Central Economic Development Association, Inc. (the Association), which comprise the statement of financial position as of June 30, 2018, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 8, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Central Economic Development Association, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness: 2006-001.

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 in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency: 2007-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association'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 Economic Development Association, Inc.'s Response to Findings

North Central Economic Development Association, Inc.'s response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. North Central Economic Development Association, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and , accordingly, we express no opinion on it.

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 Association'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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SCHLENNER WENNER & CO.

St. Cloud, Minnesota

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

October 8, 2018

Board of Directors
North Central Economic Development Association, Inc.
Staples, Minnesota

Report on Compliance for Each Major Federal Program

We have audited North Central Economic Development Association, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Association's major federal programs for the year ended June 30, 2018. The Association's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Association'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 the Association'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 Association's compliance.

Opinion on Each Major Federal Program

In our opinion, the Association 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 June 30, 2018.

Report on Internal Control Over Compliance

Management of the Association 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 the Association'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 the Association'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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2018-003, that we consider to be a significant deficiency.

North Central Economic Development Association, Inc.'s response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. North Central Economic Development Association, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

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.

SCHLENNER WENNER & CO.
St. Cloud, Minnesota

**NORTH CENTRAL ECONOMIC DEVELOPMENT ASSOCIATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Commerce:			
Direct Programs			
Economic Adjustment Assistance - Revolving Loan Fund	11.307	N/A	\$ 1,163,734
U.S. Department of Agriculture:			
Direct Programs			
Rural Microentrepreneur Assistance Program	10.870	N/A	<u>372,370</u>
Total Expenditures of Federal Awards			<u>\$ 1,536,104</u>

The federal expenditures for the Economic Adjustment Assistance - Revolving Loan Fund were calculated as follows:

Balance of Loans Outstanding	\$ 1,294,419
Cash and Investment Balance	168,270
Administrative Expenses Paid Out of Income	68,064
Unpaid Principal of Loans Written Off	<u>20,892</u>
	1,551,645
Federal Percentage of Loan Funds	<u>75.00 %</u>
Federal Expenditures	<u>\$ 1,163,734</u>

The federal expenditures for the Rural Microentrepreneur Assistance Program were calculated as follows:

Balance of USDA Loan	336,070
Current Year Expenditures	<u>36,300</u>
Federal Expenditures	<u>\$ 372,370</u>

**NORTH CENTRAL ECONOMIC DEVELOPMENT ASSOCIATION, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of North Central Economic Development Association, Inc. under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. CFR 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 Economic Development Association, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of North Central Economic Development Association, Inc.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the 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. North Central Economic Development Association, Inc. has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 FEDERAL LOAN PROGRAM

The federal loan program listed subsequently is administered directly by North Central Economic Development Association, Inc. Balances and transactions relating to this program are included in North Central Economic Development Association, Inc.'s basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2018 consist of:

<u>Program</u>	<u>Federal CFDA Number</u>	<u>Balance Outstanding</u>
Rural Microentrepreneur Assistance Program	10.870	\$ 317,432

NOTE 4 SUBRECIPIENTS

The Association did not pass through any federal funds to subrecipients during the year ended June 30, 2018.

NOTE 5 PASS-THROUGH IDENTIFIER

The Association's pass-through identifier is unknown.

**NORTH CENTRAL ECONOMIC DEVELOPMENT ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION I: SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified		
* Material weakness(es) identified?	<u> X </u>	Yes	<u> </u> No
* Significant deficiencies identified that are not considered to be material weaknesses?	<u> X </u>	Yes	<u> </u> No
Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> X </u> No

Federal Awards

Internal control over major programs:			
* Material weakness(es) identified?	<u> </u>	Yes	<u> X </u> No
* Significant deficiencies identified that are not considered to be material weakness(es)?	<u> X </u>	Yes	<u> </u> 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 Uniform Guidance?	<u> X </u>	Yes	<u> </u> No

Identification of major programs:			
<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>		
11.307	Economic Adjustment Assistance - Revolving Loan Fund		

Dollar threshold used to distinguish between type A and type B programs:	<u> \$ 750,000 </u>		
Auditee qualified as low-risk auditee?	<u> </u>	Yes	<u> X </u> No

**NORTH CENTRAL ECONOMIC DEVELOPMENT ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION II: FINANCIAL STATEMENT FINDINGS

Finding 2006-001 Limited Segregation of Duties

Condition: Due to the limited number of accounting personnel within the Association, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible.

Criteria: Internal control that supports the Association's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties. In other words, no one person has control over two or more responsibilities.

Cause: There are a limited number of staff members.

Effect: The existence of limited segregation of duties could adversely affect the Association's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Recommendation: Although the number of staff members may not be large enough to eliminate this deficiency, we recommend that the Association evaluate current procedures and segregate where possible and implement compensating controls.

*Views of Responsible
Officials and Planned*

Corrective Actions: Management agrees with our recommendation. See corresponding Corrective Action Plan.

Finding 2007-002 Financial Reporting

Condition: Schlenner Wenner & Co. drafted the audited financial statements and related footnote disclosures for the Association. These financial statements, including disclosures, were reviewed by management and management has taken responsibility for them.

Criteria: Internal controls over financial reporting should be in place to provide for the preparation of financial statements on an annual basis.

Cause: The Association's staff has the ability to prepare the basic financial statements but would require assistance with the preparation of detailed disclosures and schedules.

Effect: The inability to internally prepare the financial statements in its entirety can result in undetected errors in financial reporting.

Recommendation: While the Association may not have adequate controls in place to eliminate this finding, the Association should adopt a formal written internal control policy to document its annual review of the financial statements.

*Views of Responsible
Officials and Planned*

Corrective Actions: Management agrees with our recommendation. See corresponding Corrective Action Plan.

**NORTH CENTRAL ECONOMIC DEVELOPMENT ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION III: FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding 2018-003 Internal Controls Over Compliance With Cash Management, Allowable Costs, and Procurement

Federal Program: This finding pertains to all Federal Programs.

Condition: The North Central Economic Development Association, Inc. (the Association) does not have documented written controls to ensure compliance with the U.S. Office of Management and Budget's (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), in regards to cash management, allowable costs, and procurement procedures.

Criteria: 2 CFR § 200.302(b) requires the Association to have written cash management procedures, which includes procedures for determining the allowability of costs in accordance with 2 CFR 200 Subpart E – Cost Principles. Additionally, 2 CFR § 318(a), requires the Association to formally document procedures used for procurements made within federal programs, to demonstrate compliance with Uniform Guidance.

Cause: The Association was not aware of the requirement for written policies and procedures.

Effect: The failure to have written policies and procedures resulted in the Association's noncompliance with the requirements of the Uniform Guidance.

Context: This is a general requirement that pertains to all federal grants. This was not identified via sampling procedures.

Questioned Costs: None identified.

Recommendation: We recommend the Association review the Electronic Code of Federal Regulations, particularly the sections referenced above, to obtain a better understanding of the related requirements under Uniform Guidance. Based on this understanding, we recommend the Association adopt written policies and procedures pertaining to cash management, determining the allowability of costs, and procurement procedures for all federal programs.

*Views of Responsible
Officials and Planned
Corrective Actions:*

Management agrees with our recommendation. See corresponding Corrective Action Plan.

**NORTH CENTRAL ECONOMIC DEVELOPMENT ASSOCIATION, INC.
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL STATEMENT FINDINGS

Finding 2006-001 Limited Segregation of Duties

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The Commission is aware of the limited segregation of duties and will continue to review internal controls and make changes when they can be made.
3. Official Responsible
Cheryl Hills, Executive Director, is the official responsible for ensuring corrective action.
4. Planned Completion Date
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
5. Plan to Monitor Completion
The Board of Directors will be monitoring the Corrective Action Plan.

Finding 2007-002 Financial Reporting

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
Although the Commission may not have the ability to prepare the financial statements in its entirety, it will continue to complete thorough reviews of the financial statements.
3. Official Responsible
Cheryl Hills, Executive Director, is the official responsible for ensuring corrective action.
4. Planned Completion Date
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
5. Plan to Monitor Completion
The Board of Directors will be monitoring the Corrective Action Plan.

**NORTH CENTRAL ECONOMIC DEVELOPMENT ASSOCIATION, INC.
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2018**

FEDERAL AWARDS FINDINGS

Finding 2018-003 Internal Controls Over Compliance With Cash Management, Allowable Costs, and Procurement

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The Association will adopt the referenced policies in order to comply with Uniform Guidance.
3. Official Responsible
Cheryl Hills, Executive Director, is the official responsible for ensuring corrective action.
4. Planned Completion Date
June 30, 2019.
5. Plan to Monitor Completion
The Board of Directors will monitor this Corrective Action Plan.

NORTH CENTRAL ECONOMIC DEVELOPMENT ASSOCIATION, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

No federal awards findings were reported in the prior year.

Findings 2006-001 and 2007-002, also presented in the prior year, have been excluded from this schedule since they have been presented as findings again in the current year in the *Schedule of Findings and Questioned Costs*.