

**Southeast Iowa Regional Planning Commission and Affiliate**

**Independent Auditor's Report  
Combined Financial Statements and Supplemental Data  
June 30, 2004**

## CONTENTS

	<b>Page</b>
<b>Independent Auditor's Report</b>	1
<b>Financial Statements</b>	
Combined statement of financial position	2
Combined statement of activities	3
Combined statement of cash flows	4
Notes to financial statements	5 - 11
<b>Supplemental Information</b>	
Schedule of expenditures of federal awards	12 - 13
<b>Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	14 - 15
<b>Report on Compliance With Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133</b>	16 - 17
<b>Schedule of Findings</b>	18

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## Independent Auditor's Report

To the Commission Board Members  
Southeast Iowa Regional Planning Commission  
Burlington, Iowa

We have audited the accompanying combined statement of financial position of Southeast Iowa Regional Planning Commission and Southeast Iowa Development Corporation, Inc. as of June 30, 2004, and the related combined statements of activities and cash flows for the year then ended. These combined financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provision require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Southeast Iowa Regional Planning Commission and Southeast Iowa Development Corporation, Inc., as of June 30, 2004, and the results of their operations, changes in their net assets and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 27, 2004 on our consideration of Southeast Iowa Regional Planning Commission and Southeast Iowa Development Corporation, Inc.'s internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the combined financial statements of Southeast Iowa Regional Planning Commission and Southeast Iowa Development Corporation, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Walker Egerton & Hunsaker PC*

December 27, 2004

**Southeast Iowa Regional Planning Commission and Affiliate  
 Combined Statement of Financial Position  
 June 30, 2004**

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**Assets**

Current Assets:	
Cash	\$ 329,612
Cash - restricted	59,896
Accounts receivable	188,083
Prepaid expenses	633
Current portion of loans receivable	<u>218,194</u>
Total current assets	796,418
Long term loans receivable, net of current portion	952,119
Equipment, net of accumulated depreciation	<u>11,944</u>
Total assets	<u>\$ 1,760,481</u>

**Liabilities and Net Assets**

Current Liabilities:	
Notes payable	\$ 30,000
Accrued vacation and salary	15,006
Payroll withholdings	8,831
Other accrued expenses	25,080
Custodial funds	<u>57,248</u>
Total current liabilities	136,165
Notes payable	<u>292,000</u>
Total liabilities	<u>428,165</u>
Net Assets:	
Unrestricted	140,269
Temporarily restricted - Intermediary Relending Program	150,603
Temporarily restricted - Revolving Loan Fund	881,242
Temporarily restricted - Fort Madison Revolving Loan Fund	131,005
Temporarily restricted - Southeast Iowa Regional Planning Commission	<u>29,197</u>
Total net assets	<u>1,332,316</u>
Total liabilities and net assets	<u>\$ 1,760,481</u>

See notes to financial statements.

**Southeast Iowa Regional Planning Commission and Affiliate**  
**Combined Statement of Activities**  
**For the year ended June 30, 2004**

	Total	CDBG Admin	EDA	Fort Madison Housing	Keokuk Housing	Morning Sun Housing	LHAP	Winfield Housing	IDED COG Assistance
<b>Unrestricted net assets</b>									
Unrestricted revenues and support:									
Federal and State grants	\$ 183,336	\$ -	\$ 53,959	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,375
Local fees	300,485	-	17,986	-	64,904	168,526	-	-	-
Administration fees	255,291	24,210	-	2,500	-	(5,000)	2,500	5,000	-
Loan closing fees	4,753	-	-	-	-	-	-	-	-
Loan interest income	11,338	-	-	-	-	-	-	-	-
Interest	33,776	-	-	-	2	-	-	-	-
	<u>788,979</u>	<u>24,210</u>	<u>71,945</u>	<u>2,500</u>	<u>64,906</u>	<u>163,526</u>	<u>2,500</u>	<u>5,000</u>	<u>9,375</u>
Net assets released from restrictions:									
Restrictions satisfied by performance	<u>21,982</u>	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>810,961</u>	<u>28,210</u>	<u>71,945</u>	<u>2,500</u>	<u>64,906</u>	<u>163,526</u>	<u>2,500</u>	<u>5,000</u>	<u>9,375</u>
Expenses									
Salaries	298,899	12,329	47,700	4,104	4,417	14,075	9,430	228	6,923
Payroll taxes	41,444	1,616	6,618	564	599	1,942	1,333	30	948
Employee benefits	15,098	372	3,376	345	347	1,068	727	12	19
Employee physicals	540	-	-	-	-	-	-	-	-
Marketing	5,620	45	394	-	72	144	93	-	327
Construction expense	198,356	-	-	84	51,710	146,562	-	-	-
Depreciation	2,705	115	420	43	40	144	98	3	61
Dues and publications	5,358	250	1,200	84	76	271	160	4	18
Insurance	3,648	217	460	83	33	178	120	7	2
Interest expense	1,249	-	-	-	-	-	-	-	-
Maintenance and repair	4,003	146	399	50	71	916	100	3	58
Miscellaneous	1,281	7	18	5	-	964	7	-	-
Office expense	21,212	504	1,716	201	333	890	422	9	269
Printing and postage	5,129	160	710	53	149	274	126	4	109
Professional fees	17,987	926	1,925	422	501	791	492	21	71
Contractual expenses	42,780	54	78	-	801	2,290	13	-	-
Rent	10,820	398	1,319	162	164	537	344	12	115
Telecommunications	9,474	393	1,289	152	170	495	326	7	180
Utilities	1,168	45	194	3	35	62	51	-	40
Travel and training	29,490	815	4,128	262	234	783	379	2	145
	<u>716,261</u>	<u>18,392</u>	<u>71,944</u>	<u>6,617</u>	<u>59,752</u>	<u>172,386</u>	<u>14,221</u>	<u>342</u>	<u>9,285</u>
Increase/(Decrease) in unrestricted net assets	<u>94,700</u>	<u>9,818</u>	<u>1</u>	<u>(4,117)</u>	<u>5,154</u>	<u>(8,860)</u>	<u>(11,721)</u>	<u>4,658</u>	<u>90</u>
<b>Temporarily restricted net assets</b>									
Other fees and income	30,419	2,500	-	-	-	5,000	2,500	-	-
Revolving Loan Funds	66,833	-	-	-	-	-	-	-	-
	<u>97,252</u>	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>2,500</u>	<u>-</u>	<u>-</u>
Net assets released from restrictions:									
Restrictions satisfied by performance	<u>(47,831)</u>	<u>(4,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase/(Decrease) in temporarily restricted net assets	<u>49,421</u>	<u>(1,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>2,500</u>	<u>-</u>	<u>-</u>
Increase/(Decrease) in net assets	144,121	8,318	1	(4,117)	5,154	(3,860)	(9,221)	4,658	90
Net assets, prior year	<u>1,188,195</u>	<u>156,194</u>	<u>(82,869)</u>	<u>1,104</u>	<u>(19,697)</u>	<u>(9,348)</u>	<u>36,608</u>	<u>-</u>	<u>(7,832)</u>
Net assets, current year	<u>\$ 1,332,316</u>	<u>\$ 164,512</u>	<u>\$(82,868)</u>	<u>\$(3,013)</u>	<u>\$(14,543)</u>	<u>\$(13,208)</u>	<u>\$ 27,387</u>	<u>\$ 4,658</u>	<u>\$ (7,742)</u>

See notes to financial statements.

**Southeast Iowa Regional Planning Commission and Affiliate  
 Combined Statement of Cash Flows  
 For the year ended June 30, 2004**

<b>Cash flows from operating activities:</b>	
Increase in net assets	\$ 144,121
Adjustment to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	2,705
(Increase)/decrease in assets:	
IRP restricted cash	(2,648)
Accounts receivable	(31,037)
Prepaid expenses	1,046
(Decrease) in liabilities:	
Accounts payable and accrued expenses:	<u>(6,644)</u>
Net cash provided by operating activities	<u>107,543</u>
 <b>Cash flows from investing activities:</b>	
Loans made	(706,833)
Collections of loans	297,820
Purchase of equipment	<u>(7,334)</u>
Net cash (used) by investing activities	<u>(416,347)</u>
 <b>Cash flows from financing activities:</b>	
Proceeds from short-term debt	30,000
Proceeds from long-term debt	<u>292,000</u>
Net cash provided by financing activities	<u>322,000</u>
Net increase in cash	13,196
Cash, beginning of year	<u>316,416</u>
Cash, end of year	<u>\$ 329,612</u>

Cash consists of cash in checking and money market accounts.

<b>Supplemental disclosure:</b>	
Interest paid	\$ <u>1,249</u>

See notes to financial statements.

**Southeast Iowa Regional Planning Commission and Affiliate**  
**Notes to Financial Statements**  
**June 30, 2004**

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**Note 1. Summary of Significant Accounting Policies**

Reporting Entities

Southeast Iowa Regional Planning Commission is a voluntary organization consisting of local governments (cities, counties and school districts) within the four-county southeast Iowa region. The Planning Commission was formed in 1973 under Chapter 473A of the Code of Iowa for the general purpose of promoting intergovernmental cooperation and strengthening local governmental units. Specifically, the Planning Commission has the power and duty to make comprehensive studies and plans for the development of the area it serves that will guide the unified development of the area and that will eliminate planning duplication and promote economy and efficiency in the coordinated development of the area and the general welfare, convenience, safety, and prosperity of its people. The Planning Commission is exempt from income taxes under Section 501(c)(1) of the Internal Revenue Code.

The Southeast Iowa Development Corporation, Inc. is a not-for profit corporation established to further the economic development of the region comprised of the Iowa counties of Des Moines, Lee and Louisa as well as the cities located therein by providing low interest loans from a revolving loan fund. The Southeast Iowa Development Corporation, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Combined Financial Statements

The accompanying financial statements present the combination of the financial statements of Southeast Iowa Regional Planning Commission and Southeast Iowa Development Corporation, Inc. (Affiliate) Accordingly, the combined financial statements include all of the assets, liabilities, revenue, support, expenses, and changes in financial position for the two organizations. All significant inter-organization transactions and accounts have been eliminated. The combined financial statements are presented because the two organizations are under common control and management feels that combined financial statements are more meaningful than separate statements.

Basis of Accounting

The financial statements of Southeast Iowa Regional Planning Commission and Affiliate have been prepared on an accrual basis. Grant revenues and contracted fees are recorded as income when earned. Local member fees received from member cities, counties, and school districts are recorded as income during the year assessed. Loan fees and interest income received from revolving loan fund participants are recorded as income during the year assessed. Costs are distributed to projects based on time charged to the projects by the employees or by direct charge if the cost is related to a specific project.

At the end of the period, unearned funds that have been received are recorded as a liability to the grantor or member unless they can be carried over to the next fiscal year. The receipt of unearned funds that can be carried over to the next fiscal year are recorded as deferred revenue to be used for expenses or services in the future.

**Southeast Iowa Regional Planning Commission and Affiliate**  
**Notes to Financial Statements**  
**June 30, 2004**

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**Note 1. Summary of Significant Accounting Policies** (continued)

Basis of Accounting (continued)

Revenues from administrative contracts which have not been closed are recognized according to the percentage of completion method. Recognition on unearned contract administration revenue is deferred to be used for future contract administration expenses.

Financial Statement Presentation

The Organizations report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organizations are required to present a statement of cash flows.

Unrestricted net assets consist of all resources over which the Organizations have discretionary control to use in carrying on the operations of the organizations in accordance with the limitations of their charters and bylaws.

Temporarily restricted net assets are available for use but expendable only for operating purposes specified by the grantor. Restricted revenues are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized.

Restricted and Unrestricted Revenue

Revenues received are recorded as increases in unrestricted or temporarily restricted net assets, depending on the existence and/or nature of any restrictions. Revenues that are restricted are reported as increases in unrestricted net assets if the restrictions are met in the same reporting period in which the revenue is recognized. When restrictions are satisfied on net assets reported in a previous period, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Estimates

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

Compensated Absences

Employees of the Planning Commission accumulate a limited amount of earned but unused vacation payable. Amounts representing unused vacation are recorded as a liability computed on current rates of pay.

**Southeast Iowa Regional Planning Commission and Affiliate**  
**Notes to Financial Statements**  
**June 30, 2004**

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**Note 1. Summary of Significant Accounting Policies** (continued)

Equipment

Furniture and fixtures are stated at cost. Depreciation has been calculated on the straight-line method over the estimated useful life of three to five years. Depreciation expense included in the financial statements for the year ended June 30, 2004 was \$2,705.

The cost of assets sold, retired, or otherwise disposed of and the related allowance for depreciation are eliminated from the accounts, and any resulting gain or loss is included in operations. Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of an asset are capitalized.

**Note 2. Deposits**

The Planning Commission's deposits at June 30, 2004 were entirely covered by Federal depository insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Planning Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Planning Commission and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Planning Commission holds cash in separate accounts for each revolving loan fund as required under their contracts to administer those funds.

**Southeast Iowa Regional Planning Commission and Affiliate**  
**Notes to Financial Statements**  
**June 30, 2004**

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**Note 3. Accounts Receivable**

At June 30, 2004, the Planning Commission has the following accounts receivable outstanding for grant revenues and fees earned.

Contract administration fees	\$ 117,463
City of Morning Sun - Housing program	28,173
Iowa Department of Transportation	31,720
Economic Development Administration	<u>10,727</u>
	<u>\$ 188,083</u>

**Note 4. Loans Receivable**

The Southeast Iowa Development Corporation, Inc. entered into an agreement with Southeast Iowa Regional Planning Commission to serve as a subgrantee for a Revolving Loan Fund (RLF) grant the Planning Commission received from the Economic Development Administration (EDA). As of June 30, 2004, the EDA RLF loan receivable balance was \$699,173. The loan agreements specify fixed interest rates of 4 - 4.5%, with principal and interest payable monthly and contain covenants required by the Economic Development Administration for participation in the revolving loan fund program.

EDA may terminate any grant in whole, or in part, at any time before the date of completion, whenever it is determined that the grantee has failed to comply with the conditions of the grant. During the revolving phase of the revolving loan fund program, the grant recipient is expected to manage its revolving loan fund so that at least 75 percent of the loan fund capital is in use. At June 30, 2004, the Organizations met the EDA level of effort guidelines in the administration of the revolving loan fund.

The City of Fort Madison has contracted with Southeast Iowa Regional Planning Commission to administer a Revolving Loan Fund (RLF). As of June 30, 2004, the Fort Madison RLF loan receivable balance was \$120,482. The loan agreements specify fixed interest rates of 4%, with principal and interest payable monthly.

Southeast Iowa Regional Planning Commission entered into an agreement with the United States Department of Agriculture (USDA) to administer a Revolving Loan Fund under the Intermediary Relending Program (IRP). Under the Intermediary Relending Program, the Commission borrows funds from the USDA and lends the funds to qualified businesses. As of June 30, 2004, the IRP loan receivable balance was \$350,658. The loan agreements specify fixed interest rates of 4 - 6.75%, with principal and interest payable monthly and contain covenants required by the USDA for participation in the revolving loan fund program.

The USDA requires the Commission to reserve cash for bad debts. The reserve for bad debts of 6 percent of outstanding loans must be accumulated for 3 years and then maintained. The cash reserve is \$2,648 at June 30, 2004 and is included in restricted cash on the Statement of Financial Position.

**Southeast Iowa Regional Planning Commission and Affiliate**  
**Notes to Financial Statements**  
**June 30, 2004**

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**Note 5. Property and Equipment**

Property and equipment consists of office furniture and equipment with a cost basis of \$140,611 net of \$128,666 accumulated depreciation at June 30, 2004.

**Note 6. Concentrations of Credit Risk**

Financial instruments that potentially subject the Southeast Iowa Regional Planning Commission and Southeast Iowa Development Corporation to concentrations of credit risk consist principally of temporary cash investments and loans receivable. Concentrations of credit risk with respect to loans receivable exist due to the limited geographic region of the companies assisted and the inherent higher risk associated with loans to new and expanding businesses.

**Note 7. Notes Payable**

The Commission has a \$30,000 revolving line of credit dated December 16, 2003, all of which was used at June 30, 2004. Bank advances on the credit line are payable on demand and carry a monthly variable interest rate of 1.5% over the Wall Street Journal Prime Rate (6% at June 30, 2004). Interest is payable monthly and principal is due upon maturity on December 1, 2004.

Southeast Iowa Regional Planning Commission entered into an agreement with the United States Department of Agriculture (USDA) to administer a Revolving Loan Fund under the Intermediary Relending Program (IRP). The loan agreement dated July 9, 2003 calls for the USDA to loan \$600,000 to the Commission bearing interest at 1% per year. The loan proceeds can be drawn as qualified borrowers are identified. The loan agreement calls for the payment of interest only for the first 3 years and then principal and interest payable in 27 equal annual installments beginning on July 9, 2007. At June 30, 2004 the balance due to USDA was \$292,000.

Year ended June 30, 2005	\$ -
Year ended June 30, 2006	-
Year ended June 30, 2007	-
Year ended June 30, 2008	9,099
Year ended June 30, 2009	9,198
Thereafter	<u>273,703</u>
	<u>\$ 292,000</u>

**Southeast Iowa Regional Planning Commission and Affiliate**  
**Notes to Financial Statements**  
**June 30, 2004**

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**Note 8. Pension and Retirement Benefits**

The Planning Commission contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306.

Plan members are required to contribute 3.70% of their annual salary and the Commission is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Commission's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$16,950, \$11,566, and \$11,202, respectively, equal to the required contributions for each year.

**Note 9. Economic Dependency**

The Planning Commission is dependent upon federal and state funding, and administration fees earned from the four-county southeast Iowa region.

**Note 10. Restrictions on Net Assets**

Temporarily restricted net assets consists of receipts that pertain to future periods and of resources received by the Planning Commission before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. Income from Revolving Loan Fund lending activities that has not been used to cover eligible, reasonable, and documented administrative costs has been restricted as revolving loan fund capital base as required by the Economic Development Administration Revolving Loan Fund Program Guidelines.

Temporarily restricted - Southeast Iowa Regional Planning Commission is made up of the following items:

RTA deposits	\$ 5,071
Local Per Capita and grant administration fees	21,626
CDBG Administration	<u>2,500</u>
	<u>\$ 29,197</u>

Temporarily restricted net assets released from restrictions during the year ended June 30, 2004 consisted of the qualifying expenditures within the programs reported on the statement of activities.

**Southeast Iowa Regional Planning Commission and Affiliate**  
**Notes to Financial Statements**  
**June 30, 2004**

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**Note 11. Contingent Liability for Grant Reporting**

The Organizations participate in federal and state programs funded by grants. These grants are subjected to auditing procedures but remain open to audit by the appropriate grantor governments. If expenditures are disallowed due to non-compliance with grant program regulations, the Organizations may be required to reimburse the grantors. As of June 30, 2004, significant amounts of grant expenditures have not been audited by granting authorities, but the Organizations' management believes disallowed expenditures, if any, based on subsequent audits will not have a material effect on the general fund or the overall financial position of the Organizations.

**Note 12. Risk Management**

The Organizations are 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. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

**Southeast Iowa Regional Planning Commission and Affiliate**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2004**

<b>Federal Grantor/Pass-through Grantor/Program</b>	<b>CFDA Number</b>	<b>Project Number</b>	<b>Program Expenditures</b>
<u>U.S. Department of Agriculture</u>			
Direct programs:			
Rural Business-Cooperative Service Intermediary Relending Program	10.767	#16029421013986	\$ <u>316,292</u>
<u>U.S. Department of Commerce</u>			
Direct programs:			
Special Economic Development and Assistance Programs - Long-Term Economic Development Revolving Loan Fund	11.307	5-39-2629	\$ 702,190
Support for Planning Organizations	11.302	05-83-03864	43,232
Support for Planning Organizations	11.302	05-83-04033	<u>10,727</u>
Total U.S. Department of Commerce direct programs			<u>756,149</u>
Pass-through programs:			
City of Fort Madison Economic Development Administration Section 201 - Public Works	11.300	5-01-03356	<u>23,965</u>
Total U.S. Department of Commerce			<u>780,114</u>
<u>U.S. Department of Housing and Urban Development</u>			
Pass-through programs - Iowa Department of Economic Development:			
City of Montrose/Community Dev Block Grant	14.228	99-WS-232	7,453
City of Morning Sun/Community Dev Block Grant	14.228	02-HSG-047	168,906
City of Grandview/Community Dev Block Grant	14.228	03-WS-065	40,566
City of Wayland/Community Dev Block Grant	14.228	03-WS-067	42,076
City of Wapello/Community Dev Block Grant	14.228	03-CF-038	154,000
City of Ft Madison Community Development Block Grant	14.228	03-HSG-095	5,000
Community Development Block Grant	14.228	03-PF-002	82,500
Des Moines County Community Development Block Grant	14.228	02-CF-022	5,000
Community Development Block Grant	14.228	02-CF-012-01	<u>13,987</u>
Total U.S. Department of Housing and Urban Development			<u>519,488</u>
<u>U.S. Department of Transportation</u>			
Pass-through programs - Iowa Department of Transportation:			
Transportation Planning Work Program	20.515	04RPA-16	93,752
Transportation Planning Work Program	20.515	04RPA-16 supplemental	<u>5,000</u>
Total U.S. Department of Transportation			<u>98,752</u>
Total expenditures of federal awards			<u>\$ 1,714,646</u>

**Southeast Iowa Regional Planning Commission and Affiliate**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2004**

The value of U.S. Department of Commerce - Long-Term Economic Development Revolving Loan Fund loans outstanding at June 30, 2004 is \$699,173.

The value of U.S. Department of Agriculture - Revolving Loan Fund under the Intermediary Relending Program loans outstanding at June 30, 2004 is \$350,658.

Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Southeast Iowa Regional Planning Commission and affiliate and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

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**Report on Compliance and on Internal Control Over Financial Reporting  
Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

To the Board of Directors and Loan Review Committee  
Southeast Iowa Regional Planning Commission  
Burlington, Iowa

We have audited the combined financial statements of the Southeast Iowa Regional Planning Commission and Southeast Iowa Development Corporation, Inc. as of and for the year ended June 30, 2004, and have issued our report thereon dated December 27, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Southeast Iowa Regional Planning Commission and Southeast Iowa Development Corporation, Inc.'s combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southeast Iowa Regional Planning Commission and Southeast Iowa Development Corporation Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the combined financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the Board, Loan Review Committee, management, and other parties to whom the Organizations may report and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Southeast Iowa Regional Planning Commission during the course of our audit.

Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Walker Egerton & Hunsaker PC*

December 27, 2004

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**Report on Compliance With Requirements Applicable  
to Each Major Program and Internal Control Over Compliance  
in Accordance with OMB Circular A-133**

To the Commission Board Members and Loan Review Committee  
Southeast Iowa Regional Planning Commission

Compliance

We have audited the compliance of Southeast Iowa Regional Planning Commission and Southeast Iowa Development Corporation, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2004. Southeast Iowa Regional Planning Commission and Southeast Iowa Development Corporation Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal program is the responsibility of Southeast Iowa Regional Planning Commission and Southeast Iowa Development Corporation Inc.'s management. Our responsibility is to express an opinion on Southeast Iowa Regional Planning Commission and Southeast Iowa Development Corporation, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards OMB Circular A-133 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 Southeast Iowa Regional Planning Commission and Southeast Iowa Development Corporation, Inc.'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. Our audit does not provide a legal determination on Southeast Iowa Regional Planning Commission and Southeast Iowa Development Corporation, Inc.'s compliance with those requirements.

In our opinion Southeast Iowa Regional Planning Commission and Southeast Iowa Development Corporation, Inc. complied, in all material respects with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2004.

### Internal Control over Compliance

The management of Southeast Iowa Regional Planning Commission and Southeast Iowa Development Corporation, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Southeast Iowa Regional Planning Commission and Southeast Iowa Development Corporation Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of Southeast Iowa Regional Planning Commission and Southeast Iowa Development Corporation, Inc. and other parties to whom the Organizations may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

*Walker Egerton & Hunsaker PC*

December 27, 2004

**Southeast Iowa Regional Planning Commission and Affiliate**  
**SCHEDULE OF FINDINGS**  
**Year ended June 30, 2004**

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**Summary of Auditor's Results**

- (a) An unqualified opinion was issued on the financial statements.
- (b) The audit did not disclose any reportable conditions in internal control over financial reporting.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) An unqualified opinion was issued on compliance with requirements applicable to major programs.
- (e) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (f) The major programs were as follows:

CFDA Number 11.307 - Special Economic Development and Assistance Programs - Long-Term Economic Development Revolving Loan Fund

CFDA Number 10.767 - Rural Business-Cooperative Service Intermediary Relending Program

- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) Southeast Iowa Regional Planning Commission and Southeast Iowa Development Corporation, Inc. did not qualify as a low-risk auditee.

**Findings Related to the Financial Statements**

None.

**Findings and Questioned Costs - Major Federal Award Programs Audit**

None.

Iowa DOT	SEIDC (RLF)	Inter-mediary Relending	Fort Madison RLF	RTA	Local & Admin	Fort Madison Bridge	Big Hollow	Lee County Fair	Local ED	Pre-Disaster Mitigation	Vision Iowa	MEPO Devel. Center
\$103,752	\$ -	\$ -	\$ -	\$ -	\$ 16,250	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
24,688	750	-	-	-	23,631	-	-	-	-	-	-	-
-	4,125	-	1,613	4,929	179,140	-	-	-	-	30,450	5,824	-
-	-	4,253	500	-	-	-	-	-	-	-	-	-
-	-	7,373	3,965	-	-	-	-	-	-	-	-	-
-	<u>32,381</u>	<u>1,002</u>	<u>50</u>	-	<u>341</u>	-	-	-	-	-	-	-
<u>128,440</u>	<u>37,256</u>	<u>12,628</u>	<u>6,128</u>	<u>4,929</u>	<u>219,362</u>	-	-	-	-	<u>30,450</u>	<u>5,824</u>	-
-	<u>13,487</u>	-	<u>4,495</u>	-	-	-	-	-	-	-	-	-
<u>128,440</u>	<u>50,743</u>	<u>12,628</u>	<u>10,623</u>	<u>4,929</u>	<u>219,362</u>	-	-	-	-	<u>30,450</u>	<u>5,824</u>	-
85,139	17,931	7,379	5,989	2,484	61,814	-	-	-	-	18,957	-	-
11,740	2,484	1,009	834	312	8,818	-	-	-	-	2,597	-	-
3,124	2,028	457	444	-	2,220	-	-	-	-	559	-	-
-	-	-	-	540	-	-	-	-	-	-	-	-
335	1,799	205	69	-	1,868	-	-	-	-	269	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
700	171	74	60	23	593	-	-	-	-	160	-	-
1,325	502	95	135	92	899	-	-	-	-	247	-	-
1,109	178	95	92	119	852	-	-	-	-	103	-	-
-	-	1,249	-	-	-	-	-	-	-	-	-	-
760	444	49	42	80	614	-	-	-	-	271	-	-
65	16	26	3	-	170	-	-	-	-	-	-	-
4,111	1,521	288	227	228	5,786	-	-	-	-	1,016	3,626	65
1,008	283	160	94	59	1,640	-	38	33	8	221	-	-
4,768	1,848	800	347	658	3,992	-	-	-	-	425	-	-
150	700	-	7	60	38,574	-	-	-	-	53	-	-
2,658	901	168	179	97	3,083	-	-	-	-	683	-	-
2,393	815	225	196	131	2,019	-	-	-	-	683	-	-
360	51	28	34	-	179	-	-	-	-	86	-	-
<u>3,694</u>	<u>1,450</u>	<u>321</u>	<u>303</u>	<u>46</u>	<u>16,445</u>	-	-	-	<u>195</u>	<u>274</u>	<u>14</u>	-
<u>123,439</u>	<u>33,122</u>	<u>12,628</u>	<u>9,055</u>	<u>4,929</u>	<u>149,566</u>	-	<u>38</u>	<u>33</u>	<u>203</u>	<u>26,604</u>	<u>3,640</u>	<u>65</u>
<u>5,001</u>	<u>17,621</u>	-	<u>1,568</u>	-	<u>69,796</u>	-	<u>(38)</u>	<u>(33)</u>	<u>(203)</u>	<u>3,846</u>	<u>2,184</u>	<u>(65)</u>
-	-	1,222	-	5,071	11,201	-	-	-	-	2,925	-	-
-	-	-	<u>66,833</u>	-	-	-	-	-	-	-	-	-
-	-	1,222	66,833	5,071	11,201	-	-	-	-	2,925	-	-
-	<u>(13,487)</u>	-	<u>(4,495)</u>	-	<u>(25,849)</u>	-	-	-	-	-	-	-
-	<u>(13,487)</u>	<u>1,222</u>	<u>62,338</u>	<u>5,071</u>	<u>(14,648)</u>	-	-	-	-	<u>2,925</u>	-	-
5,001	4,134	1,222	63,906	5,071	55,148	-	(38)	(33)	(203)	6,771	2,184	(65)
<u>(25,366)</u>	<u>877,107</u>	<u>149,381</u>	<u>67,099</u>	-	<u>37,854</u>	<u>5,000</u>	<u>1,720</u>	<u>1,240</u>	-	-	-	-
<u>\$(20,365)</u>	<u>\$ 881,241</u>	<u>\$ 150,603</u>	<u>\$ 131,005</u>	<u>\$ 5,071</u>	<u>\$ 93,002</u>	<u>\$ 5,000</u>	<u>\$ 1,682</u>	<u>\$ 1,207</u>	<u>\$ (203)</u>	<u>\$ 6,771</u>	<u>\$ 2,184</u>	<u>\$ (65)</u>