

Southeast Iowa Regional Planning Commission

**Independent Auditor's Reports
Basic Financial Statements
Required Supplementary Information
Schedule of Findings**

June 30, 2005

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Southeast Iowa Regional Planning Commission
Commission Members
June 30, 2005

Member	Representing
Bob Beck	Des Moines County
Bill Ell	Des Moines County
Hans Trousil	Des Moines County
Laverne Hueholt	Henry County
Brent Schleisman	Henry County
Tom Young	Henry County
Ray Bradley, Jr.	Lee County
Bill Kelly	Lee County
Joe Kowzan	Lee County
Forrest Bartenhagen	Louisa County
Jim Howell	Louisa County
Mark Huston	Louisa County
Carol Nemitz	School Board
Jennifer Daly, Ex-Officio	Mt. Pleasant Area Development Commission
Dennis Hinkle, Ex-Officio	Grow Greater Burlington
Lowell Junkins, Ex-Officio	Lee County Economic Development Group
Sharon Leeper, Ex-Officio	Southeast Iowa Regional Airport Authority
Mallory Smith, Ex-Officio	Louisa Economic Development Group



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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 basic financial statements of Southeast Iowa Regional Planning Commission as of and for the year ended June 30, 2005. These financial statements are the responsibility of the Commission's 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, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southeast Iowa Regional Planning Commission as of June 30, 2005, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 15, during the year ended June 30, 2005, Southeast Iowa Regional Planning Commission adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

In accordance with Government Auditing Standards, we have also issued our report dated January 17, 2006 on our consideration of Southeast Iowa Regional Planning Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 4 through 8 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Southeast Iowa Regional Planning Commission 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.

CPA Associates PC

January 17, 2006

Southeast Iowa Regional Planning Commission Management's Discussion and Analysis

Southeast Iowa Regional Planning Commission provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Commission's Support and revenues increased 87%, or \$266,939, from fiscal 2004 to fiscal 2005.
- Operating expenses increased 77%, or \$549,804 from fiscal 2004 to fiscal 2005.
- The Commission's net assets increased 36%, or \$466,616 from fiscal 2004 to fiscal 2005.
- Regional Transit Authority Services were added to the Commission in 2005. Federal and State Grants received for the Regional Transit Authority were \$240,400. As a result of the added transit service, support and revenues increased by \$524,408. The Commission received \$89,673 in capital investment assistance from the Iowa Department of Transportation for the purchase of two buses. The Commission funded the balance of the purchase through an Amoco Loan Agreement with the Iowa Department of Transportation in the amount of \$18,366.
- The following capital contributions caused an increase in net assets:
 - Transit purchase of two buses \$89,673
 - Mediapolis Housing Trust Fund received \$71,333
 - Fort Madison revolving loan fund received \$37,500
 - Henry County revolving loan fund received \$100,000

USING THIS ANNUAL REPORT

The Southeast Iowa Regional Planning Commission is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to Southeast Iowa Regional Planning Commission's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.
- The Statement of Net Assets presents information on the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.
- The Statement of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Commission's operating revenues and expenses, non-operating revenues and expenses and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

- The Statement of Cash Flows presents the change in the Commission's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Commission financed its activities and how it met its cash requirements.
- The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE COMMISSION

Financial Position Summary

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. The Commission's net assets exceeded liabilities by \$1,769,735 at June 30, 2005, a \$466,616 increase from 2004.

A summary of the Commission's net assets at June 30, 2005 and 2004 is shown below:

	2005	2004
Assets:		
Current assets	\$ 1,402,233	\$ 796,418
Long-term RLF notes receivable	1,307,838	952,119
Capital assets	<u>101,864</u>	<u>11,944</u>
Total assets	<u>2,811,935</u>	<u>1,760,481</u>
Liabilities:		
Current liabilities	423,834	165,362
Notes payable	<u>618,366</u>	<u>292,000</u>
Total liabilities	<u>1,042,200</u>	<u>457,362</u>
Net Assets:		
Invested in capital assets, net of related debt	83,498	11,944
Restricted	1,436,679	1,162,850
Unrestricted	<u>249,558</u>	<u>128,325</u>
Total net assets	<u>\$ 1,769,735</u>	<u>\$ 1,303,119</u>

The largest portion of the Commission's net assets each year represents amounts restricted for the revolving loan fund.

Summary of Operations and Changes in Net Assets

Support and revenues are received from federal and state grants, state appropriations, and other local sources. Expenditures are expenses to operate the Commission's programs and the transit system. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the years ended June 30, 2005 and 2004 is presented below:

	2005	2004
Support:		
Federal and State grants	\$ 740,353	\$ 183,336
Local contribution	<u>109,182</u>	<u>300,485</u>
Total support	<u>849,535</u>	<u>483,821</u>
Revenue:		
Administration fees	244,115	255,291
Bus fare	200,064	-
Insurance claims	63,872	-
Loan closing fees	5,288	4,753
Loan interest income	<u>58,758</u>	<u>45,114</u>
Total revenue	<u>572,097</u>	<u>305,158</u>
Total support and revenue	<u>1,421,632</u>	<u>788,979</u>
Expenses:		
Salaries and benefits	627,044	355,981
Construction expense	311,142	198,356
Depreciation	23,121	2,705
Dues and publications	10,107	5,358
Insurance	35,073	3,648
Interest expense	6,911	1,249
Maintenance and repair	40,234	4,003
Fuel and oil	44,787	-
Office expense	65,893	21,212
Professional fees	16,983	17,987
Contractual expenses	11,844	42,780
Occupancy	27,107	21,462
Travel and training	30,241	29,490
Printing and marketing	10,726	10,749
Miscellaneous	<u>4,852</u>	<u>1,281</u>
Total expenses	<u>1,266,065</u>	<u>716,261</u>
Operating income	155,567	72,718
Non-operating revenues/(expenses), net	12,543	-
Capital grants and contributions	<u>298,506</u>	<u>66,833</u>
Increase in Net Assets	<u>\$ 466,616</u>	<u>\$ 139,551</u>

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in the net assets at the end of the fiscal year.

- Support, including Federal and State grants, for the year increased \$365,714, or 76%. Most of the increase was due to the addition of the transit services, which increased support by \$260,472. Future grant revenues received from State Transit Assistance are expected to decrease \$84,253. The expected decrease in state transit revenues is based on the low rider statistics reported in the year 2003. Federal grants increased \$128,498 in housing rehabilitation services.
- Operating revenues increased by \$266,939, or 87%. Nearly all of the increase was due to the addition of Transit services.
- Expenses increased by \$549,804, or 77%. The addition of the transit and Ft. Madison planning services increased operating expenses \$489,878. Housing rehabilitation program expenses increased by \$123,378.
- Planning revenues for the year were \$253,103 and expenses were \$253,660. Future revenues and expenses will follow similar trends.
- Transit insurance claims received totaled \$63,872. Of the claims received, \$45,139 are restricted for bus purchases.
- Revolving Loan Fund revenues were \$68,366 and expenses were \$54,884. As of June 30, 2005, the Commission had borrowed the entire \$600,000 awarded under the USDA Intermediary Relending Program.
- Grant administration revenues for the year were \$159,079 and expenses were \$99,553. Future expenses will increase approximately \$360,000 primarily due to the EPA Brownfields Assessment Grant. A professional services agreement was awarded to a consulting firm in the amount of \$329,000 for engineering services related to the Southeast Iowa Brownfields Redevelopment Initiative.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes federal and state support, bus fare revenue, planning contracts and other revenue, reduced by payments to employees and to suppliers. Cash provided from financing activities includes RLF program capital additions and the purchase of capital assets. Cash used by investing activities includes interest income.

CAPITAL ASSETS

At June 30, 2005, the Commission had \$101,864 invested in capital assets, net of accumulated depreciation of \$151,787. Depreciation charges totaled \$23,121 for fiscal year 2005. More detailed information about the Commission's capital assets is presented in the financial statement footnotes.

LONG-TERM LIABILITIES

At June 30, 2005, the Commission had \$618,366 in debt outstanding, an increase of \$326,366 from 2004. The debt consists of a loan payable to the US Department of Agriculture for funds drawn to be used in the Intermediary Relending Program and a loan from the Iowa Department of Transportation for the purchase of a bus for the Regional Transit Authority. Additional information about the Commission's long term liabilities is presented in the financial statement footnotes.

ECONOMIC FACTORS

Southeast Iowa Regional Planning Commission continued to improve its financial position during the year with a positive increase in net assets. Some of the realities that may potentially become challenges for the Commission to meet are:

- The Commission has experienced tremendous growth in programs and staff during the past year. It has outgrown the current office space. A Facilities Committee was established to evaluate and study possible site options for a new facility.
- The percentage of local match required for grants has increased. Per capita local revenues are earmarked for the local match on grants. The Commission did not increase per capita rates for fiscal year 2006.
- Technology is constantly improving causing Commission software and computers to become outdated. It will continue to be a financial challenge to replace and update software and computers on an annual basis.
- Increased health and dental insurance premiums will continue to be an area in which controlling costs will be a challenge.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to Southeast Iowa Regional Planning Commission, 200 Front Street, Suite 400, Burlington, Iowa 52601.

Respectfully submitted,

Brian Tapp
Executive Director

Southeast Iowa Regional Planning Commission
Statement of Net Assets
June 30, 2005

Assets	
Current assets:	
Cash	\$ 742,463
Cash - restricted	228,040
Accounts receivable	149,927
Prepaid expenses	7,573
Current portion of RLF notes receivable	<u>274,230</u>
Total current assets	1,402,233
Long term RLF notes receivable, net of current portion	1,307,838
Capital assets, net of accumulated depreciation	<u>101,864</u>
Total assets	<u>2,811,935</u>
Liabilities	
Current liabilities:	
Accounts payable	158,624
Accrued vacation and salary	48,498
Notes payable	30,000
Deferred revenue	18,459
Custodial funds	<u>168,253</u>
Total current liabilities	423,834
Notes payable	<u>618,366</u>
Total liabilities	<u>1,042,200</u>
Net Assets	
Invested in capital assets, net of related debt	83,498
Restricted	1,436,679
Unrestricted	<u>249,558</u>
Total net assets	<u>\$ 1,769,735</u>

See notes to financial statements.

Southeast Iowa Regional Planning Commission
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2005

	<u>Total</u>	<u>Local</u>	<u>RTA</u>	<u>Planning</u>	<u>Housing</u>	<u>Grant Admin</u>	<u>Revolving Loan Funds</u>
Support and Revenue							
Support:							
Federal and State grants	\$ 740,353	\$ -	\$ 258,727	\$ 143,238	\$ 338,388	\$ -	\$ -
Local contribution	<u>109,182</u>	<u>26,813</u>	<u>20,072</u>	<u>38,235</u>	<u>24,062</u>	<u>-</u>	<u>-</u>
Total support	<u>849,535</u>	<u>26,813</u>	<u>278,799</u>	<u>181,473</u>	<u>362,450</u>	<u>-</u>	<u>-</u>
Revenue:							
Administration fees	244,115	4,606	-	71,630	4,480	159,079	4,320
Bus fare	200,064	-	200,064	-	-	-	-
Insurance claims	63,872	-	63,872	-	-	-	-
Loan closing fees	5,288	-	-	-	-	-	5,288
Loan interest income	<u>58,758</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,758</u>
Total revenue	<u>572,097</u>	<u>4,606</u>	<u>263,936</u>	<u>71,630</u>	<u>4,480</u>	<u>159,079</u>	<u>68,366</u>
Total support and revenue	<u>1,421,632</u>	<u>31,419</u>	<u>542,735</u>	<u>253,103</u>	<u>366,930</u>	<u>159,079</u>	<u>68,366</u>
Expense							
Salaries	517,722	69,050	165,023	149,772	40,484	62,446	30,947
Payroll taxes	72,379	13,795	21,313	19,547	5,367	8,245	4,112
Employee benefits	34,104	8,783	11,975	7,542	2,432	1,372	2,000
Other employee expense	2,839	-	2,839	-	-	-	-
Marketing	4,665	250	4,162	250	-	-	3
Construction expense	311,142	43	-	-	310,126	973	-
Depreciation	23,121	3,447	18,007	1,667	-	-	-
Dues and publications	10,107	6,828	2,047	1,160	62	10	-
Insurance	35,073	8,759	26,314	-	-	-	-
Interest expense	6,911	-	-	-	1,968	-	4,943
Maintenance and repair	40,234	593	39,641	-	-	-	-
Fuel and oil	44,787	-	44,787	-	-	-	-
Meetings	4,852	3,756	28	303	-	634	131
Office expense	65,893	27,974	11,538	24,418	168	1,422	373
Printing and postage	6,061	5,336	413	113	8	161	30
Professional fees	16,983	12,202	58	915	471	314	3,023
Contractual expenses	11,844	6,036	2,035	163	1,470	2,140	-
Rent	13,798	11,535	2,263	-	-	-	-
Telecommunications	13,309	6,652	6,657	-	-	-	-
Travel and training	30,241	4,854	4,589	14,083	2,542	3,663	510
Indirect costs	<u>-</u>	<u>(160,595)</u>	<u>88,285</u>	<u>33,727</u>	<u>11,598</u>	<u>18,173</u>	<u>8,812</u>
Total operating expense	<u>1,266,065</u>	<u>29,298</u>	<u>451,974</u>	<u>253,660</u>	<u>376,696</u>	<u>99,553</u>	<u>54,884</u>
Operating income (loss)	<u>155,567</u>	<u>2,121</u>	<u>90,761</u>	<u>(557)</u>	<u>(9,766)</u>	<u>59,526</u>	<u>13,482</u>
Non-Operating Revenue							
Interest income	<u>12,543</u>	<u>3,470</u>	<u>-</u>	<u>35</u>	<u>2,663</u>	<u>-</u>	<u>6,375</u>
Increase/(decrease) in net assets	168,110	5,591	90,761	(522)	(7,103)	59,526	19,857
Net assets, prior year (Note 15)	1,303,119	99,792	-	(110,973)	(16,629)	168,079	1,162,850
Capital grants and contributions	<u>298,506</u>	<u>-</u>	<u>89,673</u>	<u>-</u>	<u>71,333</u>	<u>-</u>	<u>137,500</u>
Net assets, current year	<u>\$ 1,769,735</u>	<u>\$ 105,383</u>	<u>\$ 180,434</u>	<u>\$ (111,495)</u>	<u>\$ 47,601</u>	<u>\$ 227,605</u>	<u>\$ 1,320,207</u>

See notes to financial statements.

**Southeast Iowa Regional Planning Commission
Statement of Cash Flows
Year ended June 30, 2005**

Cash flows from operating activities	
Cash received from federal & state support	\$ 775,704
Cash received from local contributions and administration fees	381,102
Cash received from bus fares	181,352
Cash received from loan interest income and closing fees	64,046
Checking and money market interest received	12,543
Cash paid for goods and services	(489,296)
Cash paid for employees and benefits	<u>(602,384)</u>
Net cash provided by operating activities	<u>323,067</u>
Cash flows from non-capital financing activities	
Proceeds from long-term debt	<u>308,000</u>
Cash flows from capital and related financing activities	
Capital contributions	108,000
Purchase of equipment	(113,040)
Cash received from insurance claims	46,846
Proceeds from capital debt	<u>18,366</u>
Net cash provided by financing activities	<u>60,172</u>
Cash flows from investing activities	
Capital contributions	190,506
Loans made	(818,000)
Collections of loans	406,245
Cash received in custodial funds	<u>111,005</u>
Net cash (used) by investing activities	<u>(110,244)</u>
Net increase in cash	580,995
Cash, beginning of year	<u>389,508</u>
Cash, end of year (restricted and unrestricted)	<u>\$ 970,503</u>
Reconciliation of operating income to net cash provided by operating activities	
Increase in net assets	\$ 168,110
Adjustment to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	23,121
Cash received from insurance claims	(46,846)
(Increase)/decrease in assets:	
Accounts receivable	38,156
Prepaid expenses	(6,940)
Increase/(decrease) in liabilities:	
Deferred revenue	(10,737)
Accounts payable and accrued expenses	<u>158,203</u>
Net cash provided by operating activities	<u>\$ 323,067</u>

See notes to financial statements.

Southeast Iowa Regional Planning Commission
Notes to Financial Statements

Note 1. Nature of Organization

Southeast Iowa Regional Planning Commission (the Commission) is a voluntary organization consisting of local governments (cities, counties and school districts) within the four-county southeast Iowa region. The Commission was formed in 1973 under Chapters 28E and 473A of the Code of Iowa for the general purpose of promoting intergovernmental cooperation and strengthening local governmental units. Specifically, the 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. Southeast Iowa Regional Planning Commission is exempt from income taxes under Section 501(c)(1) of the Internal Revenue Code.

The Commission provides services to the region through a variety of programs:

Planning

- Transportation Planning - The Transportation Planning Department works with all regional members and the Iowa Department of Transportation, Federal Highway Administration, Federal Transit Administration and other federal and state agencies to effectively plan and implement projects in southeast Iowa. This department is primarily funded through federal transportation planning grants originating from federal transportation authorizing legislation, such as TEA-21 and SAFETEA. Transportation planning staff are active in programming federal dollars available to the Commission, developing projects utilizing state and federal dollars, preparing transportation planning documents, Geographic Information Systems mapping and analysis, travel demand modeling, grant applications to federal and state governments, and regional cooperation related to transportation issues and transit planning.
- Land Use and Planning - The Planning and Zoning Department provides a number of services relating to land use and development to various clients within the region. Specifically, actual on-site land use administration, technical assistance with zoning and subdivision issues, revision and development of comprehensive plans, urban renewal plan formulation, annexations, ordinance codification updates and capital improvement budgeting are all provided under individual contracts with cities and/or counties within the four county area.

Revolving Loan Funds and Economic Development

A main focus of the Economic Development Department is the creation and retention of jobs. This is accomplished through a multitude of avenues involving revolving loan funds, state and federal grantsmanship, Small Business Administration loan preparation and regional cooperation.

Housing

The Commission administers many different types of housing programs and works extensively with the Iowa Department of Economic Development, Iowa Finance Authority, and other entities on numerous housing projects throughout Southeast Iowa. Programs administered include Owner Occupied Rehabilitation Programs, Rental Rehabilitation, Down-payment Assistance, New Construction, and Acquisition/Demolition.

Southeast Iowa Regional Planning Commission
Notes to Financial Statements

Note 1. Nature of Organization (continued)

Grant Administration

Southeast Iowa Regional Planning Commission administers grants received by clients from different funding sources. Our staff works one on one with the agency officials and city or county officials to insure that all of the grantor agency requirements are met, and retains records related to the grant administration activities.

Regional Transit Authority

The Southeast Iowa Bus (SEIBUS) is a Regional Transit System that provides transportation for the general public in southeast Iowa, including residents of Louisa, Henry and Des Moines counties and the cities of Keokuk and Ft. Madison. The Authority also provides services to other organizations, such as Hope Haven; Area Agency on Aging; and Henry County, Des Moines County and Louisa County Central Point of Communication.

Note 2. Summary of Significant Accounting Policies

The operations of the Commission are financed primarily by Federal and State grants, local contributions, contract administration fees, and RTA bus fares. The Commission is dependent on continued funding by federal, state and local governmental bodies to provide the programs necessary to support the services and objectives set out above.

The Commission complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For the fiscal year ending June 30, 2005, the Commission has implemented the financial reporting requirements of GASB Statements Nos. 33 and 34. As a result, an entirely new financial presentation format has been implemented.

Financial Reporting Entity

The Commission's financial reporting entity comprises the following:

Primary Government:	Southeast Iowa Regional Planning Commission
Blended Component Unit:	Southeast Iowa Development Corporation, Inc.

The Commission's financial statements include the accounts of all Commission operations. The Commission has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burden on the Commission.

Southeast Iowa Regional Planning Commission
Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (continued)

The Southeast Iowa Development Corporation, Inc. meets the criteria to be a blended component unit. Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Commission or the component unit provides services entirely to the Commission. The component unit's funds are blended into those of the Commission as part of the EDA Revolving Loan Fund.

The Southeast Iowa Development Corporation, Inc. is a not-for profit corporation established in 1995 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 current Commission Board serves as the entire governing body. The Southeast Iowa Development Corporation, Inc. is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code.

Basis of Presentation

The accounts of Southeast Iowa Regional Planning Commission are organized as an Enterprise Fund. Enterprise funds are used to account for operations (a) financed in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. 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. Revenues from administrative contracts which have not been closed are recognized according to the percentage of completion method. Recognition of unearned contract administration revenue is deferred to be used for future contract administration expenses.

Southeast Iowa Regional Planning Commission
Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Net Assets

The following accounting policies are followed in preparing the statement of net assets:

Cash and Cash Equivalents - The Commission considers demand deposits and all other highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Capital Assets - Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations. Donated capital assets are valued at their estimated fair value on the date of donation.

Depreciation has been provided using the straight-line method over the estimated useful lives of the respective assets, generally 3 to 6 years. Maintenance and repairs are recorded as expenditures as incurred and are not capitalized.

Compensated Absences - Commission employees accumulate a limited amount of earned but unused vacation payable. Amounts representing the cost of compensated absences expected to be liquidated are recorded as a liability computed on current rates of pay.

Cost Allocation - The Commission utilizes cost allocation methods to distribute certain direct and indirect costs to its various programs. Costs which are common to more than one program have been identified and classified into cost pools. These cost pools have been allocated to the programs based on formulas developed by the Commission for each pool.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

Net Assets - Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding categories.

Southeast Iowa Regional Planning Commission
Notes to Financial Statements

Note 3. Cash

The Commission's cash deposits at June 30, 2005 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 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 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 Commission holds cash in separate accounts for each revolving loan fund as required under their contracts to administer those funds.

Note 4. Accounts Receivable

At June 30, 2005, the Commission has the following accounts receivable outstanding for grant revenues and fees earned.

Contract administration fees	\$ 94,997
RTA bus fares	18,712
RTA insurance claim	17,026
Iowa Department of Transportation	16,730
Other	<u>2,462</u>
	<u>\$ 149,927</u>

Note 5. 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, 2005, the EDA RLF loan receivable balance was \$842,275. 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.

Southeast Iowa Regional Planning Commission
Notes to Financial Statements

Note 5. Loans Receivable (continued)

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, 2005, the Commission met the EDA level of effort guidelines in the administration of the revolving loan fund.

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, 2005, the IRP loan receivable balance was \$566,158. 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 \$14,648 at June 30, 2005 and is included in restricted cash on the Statement of Net Assets.

The City of Fort Madison has contracted with Southeast Iowa Regional Planning Commission to administer a Revolving Loan Fund (RLF). As of June 30, 2005, the Fort Madison RLF loan receivable balance was \$163,636. The loan agreements specify fixed interest rates of 4%, with principal and interest payable monthly.

Henry County has contracted with the Commission to administer a Revolving Loan Fund (RLF). As of June 30, 2005, there were no loans outstanding.

The City of Mediapolis has contracted with the Commission to administer the Mediapolis Housing Trust Fund Grant Program. This program offers grants, forgivable loans and revolving loans to program participants. The Revolving Loan Fund (RLF) portion of the program includes loans for home rehabilitation which specify fixed interest rates of 4%. As of June 30, 2005, the Mediapolis RLF loan receivable balance was \$10,000.

Southeast Iowa Regional Planning Commission
Notes to Financial Statements

Note 6. Capital Assets

Capital assets consist of office furniture and equipment with a cost basis of \$253,651 net of \$151,787 accumulated depreciation at June 30, 2005. Depreciation expense included in the financial statements for the year ended June 30, 2005 was \$151,787. A summary of capital assets at June 30, 2005 is as follows:

	<u>Beginning Balance</u>	<u>Purchased at cost</u>	<u>Ending Balance</u>
Equipment, furniture and fixtures	\$ 140,611	\$ 113,040	\$ 253,651
	<u>Beginning Balance</u>	<u>Depreciation</u>	<u>Ending Balance</u>
Accumulated depreciation	\$ 128,666	\$ 23,121	\$ 151,787

Note 7. Operating Leases

The Commission has entered into an operating lease to rent office space in Burlington, Iowa. The lease term began November 1, 2003 and ends October 31, 2006. Rent paid for the year ended June 30, 2005 was \$11,535.

The Commission has entered into an operating lease to rent Regional Transit Authority vehicle storage space in Burlington, Iowa. The lease term began March 1, 2005 and ends March 1, 2006. Rent paid for the year ended June 30, 2005 was \$2,263.

Future minimum lease payments due on the above operating leases are as follows:

Year ended June 30, 2006	\$ 14,520
Year ended June 30, 2007	<u>3,180</u>
	<u>\$ 17,700</u>

**Southeast Iowa Regional Planning Commission
Notes to Financial Statements**

Note 8. Notes Payable

The Commission has a \$30,000 revolving line of credit dated December 1, 2004, all of which was used at June 30, 2005. 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 (7.75% at June 30, 2005). Interest is payable monthly and principal is due upon maturity on December 1, 2005.

The Commission received a \$18,366 capital match revolving loan from the Iowa Department of Transportation. The loan is interest-free and is part of an agreement requiring the purchase of two new vehicles for the Regional Transit Authority. The loan agreement calls for the payment of principal in three equal annual installments beginning December 31, 2006.

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, 2005 the balance due to USDA was \$600,000.

A summary of changes in long-term notes payable for the year ended June 30, 2005 follows:

	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Ending Balance</u>
IDOT capital match loan	\$ -	\$ 18,366	\$ -	\$ 18,366
USDA Revolving loan	<u>292,000</u>	<u>308,000</u>	<u>-</u>	<u>600,000</u>
	<u>\$ 292,000</u>	<u>\$ 326,366</u>	<u>\$ -</u>	<u>\$ 618,366</u>

Maturities of long-term debt are as follows:

	Principal	Interest
Year ended June 30, 2006	\$ -	\$ 4,863
Year ended June 30, 2007	6,122	6,000
Year ended June 30, 2008	18,883	6,000
Year ended June 30, 2009	19,010	5,872
Year ended June 30, 2010	13,017	5,744
Thereafter	<u>561,334</u>	<u>95,629</u>
	<u>\$ 618,366</u>	<u>\$ 124,108</u>

Southeast Iowa Regional Planning Commission
Notes to Financial Statements

Note 9. 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 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 10. 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, 2005, 2004, and 2003 were \$29,294, \$16,951, and \$13,473, respectively, equal to the required contributions for each year.

Note 11. Economic Dependency

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

Note 12. Restricted Net Assets

The Commission has net assets that are restricted at June 30, 2005 for revolving loan fund programs and for capital asset purchases. A detail of those restrictions follows:

EDA Revolving Loan Fund net asset balance	\$ 884,872
USDA/IRP Revolving Loan Fund net asset balance	168,357
Fort Madison Revolving Loan Fund net asset balance	170,540
Henry County Revolving Loan Fund net asset balance	96,438
Mediapolis Development capital contribution	71,333
Restricted by Iowa Department of Transportation for bus purchases	45,139
	<u>\$ 1,436,679</u>

**Southeast Iowa Regional Planning Commission
Notes to Financial Statements**

Note 13. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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.

Note 14. Commitments and Contingencies

The Commission has entered into a professional services agreement with a consulting firm in the amount of \$329,000. Under the agreement, the firm will provide engineering services related to the Southeast Iowa Brownfields Redevelopment Initiative. The program is funded through a federal grant that has no local match requirement.

Note 15. Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. These statements were implemented for the fiscal year ended June 30, 2005. The statements create new basic financial statements for reporting the Commission's financial activities. The revised minimum reporting requirements include Management's Discussion and Analysis to introduce the basic financial statements and to provide an analytical review of the Commission's financial activities.

Implementation of these statements had the following effect on the beginning balances of the Commission:

Net Assets, June 30, 2004, as previously report	\$ 1,332,316
Reclassification of temporarily restricted net assets to deferred revenue	(29,197)
Net Assets, June 30, 2004, as restated	<u>\$ 1,303,119</u>

Southeast Iowa Regional Planning Commission
Supplementary Schedule of Revenues, Expenses and Changes in Net Assets
Planning
Year Ended June 30, 2005

	<u>Total</u>	<u>EDA</u>	<u>IDED</u>	<u>IDOT</u>	<u>Des Moines County Planning</u>	<u>Ft. Madison Planning</u>
Support and Revenue						
Support:						
Federal and State grants	\$ 143,238	\$ 54,563	\$ 9,375	\$ 79,300	\$ -	\$ -
Local contribution	<u>38,235</u>	<u>18,188</u>	<u>-</u>	<u>20,047</u>	<u>-</u>	<u>-</u>
Total support	<u>181,473</u>	<u>72,751</u>	<u>9,375</u>	<u>99,347</u>	<u>-</u>	<u>-</u>
Revenue:						
Administration fees	<u>71,630</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,630</u>	<u>32,000</u>
Total support and revenue	<u>253,103</u>	<u>72,751</u>	<u>9,375</u>	<u>99,347</u>	<u>39,630</u>	<u>32,000</u>
Expense						
Salaries	149,772	48,439	3,113	54,544	17,860	25,816
Payroll taxes	19,547	6,313	399	7,136	2,363	3,336
Employee benefits	7,542	3,058	315	1,357	1,087	1,725
Marketing	250	250	-	-	-	-
Depreciation	1,667	-	-	1,667	-	-
Dues and publications	1,160	490	-	531	74	65
Meetings	303	175	-	128	-	-
Office expense	24,418	2,415	5,000	16,850	153	-
Printing and postage	113	45	-	54	14	-
Professional fees	915	322	-	-	593	-
Contractual expenses	163	-	-	163	-	-
Travel and training	14,083	5,594	148	5,458	569	2,314
Indirect costs	<u>33,727</u>	<u>7,737</u>	<u>964</u>	<u>14,893</u>	<u>5,485</u>	<u>4,648</u>
Total operating expense	<u>253,660</u>	<u>74,838</u>	<u>9,939</u>	<u>102,781</u>	<u>28,198</u>	<u>37,904</u>
Operating income (loss)	<u>(557)</u>	<u>(2,087)</u>	<u>(564)</u>	<u>(3,434)</u>	<u>11,432</u>	<u>(5,904)</u>
Non-Operating Revenue						
Interest income	<u>35</u>	<u>35</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase/(decrease) in net assets	(522)	(2,052)	(564)	(3,434)	11,432	(5,904)
Net assets, prior year	(110,973)	(82,869)	(7,742)	(20,362)	-	-
Net assets, current year	<u>\$ (111,495)</u>	<u>\$ (84,921)</u>	<u>\$ (8,306)</u>	<u>\$ (23,796)</u>	<u>\$ 11,432</u>	<u>\$ (5,904)</u>

Southeast Iowa Regional Planning Commission
Supplementary Schedule of Revenues, Expenses and Changes in Net Assets
Housing
Year Ended June 30, 2005

	<u>Total</u>	<u>Ft. Madison</u>	<u>Morning Sun</u>	<u>Winfield</u>	<u>Mediapolis</u>	<u>Housing Admin</u>
Support and Revenue						
Support:						
Federal and State grants	\$ 338,388	\$ 211,719	\$ 90,620	\$ 23,707	\$ 12,342	\$ -
Local contribution	<u>24,062</u>	<u>23,011</u>	<u>-</u>	<u>1,051</u>	<u>-</u>	<u>-</u>
Total support	<u>362,450</u>	<u>234,730</u>	<u>90,620</u>	<u>24,758</u>	<u>12,342</u>	<u>-</u>
Revenue:						
Administration fees	<u>4,480</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,480</u>
Total support and revenue	<u>366,930</u>	<u>234,730</u>	<u>90,620</u>	<u>24,758</u>	<u>12,342</u>	<u>4,480</u>
Expense						
Salaries	40,484	14,501	7,654	14,501	2,448	1,380
Payroll taxes	5,367	1,920	1,014	1,920	328	185
Employee benefits	2,432	891	466	891	184	-
Construction expense	310,126	203,888	77,092	13,920	15,000	226
Dues and publications	62	62	-	-	-	-
Interest expense	1,968	-	1,241	357	-	370
Office expense	168	92	-	-	76	-
Printing and postage	8	-	8	-	-	-
Professional fees	471	-	471	-	-	-
Contractual expenses	1,470	-	1,415	-	-	55
Travel and training	2,542	626	432	432	85	967
Indirect costs	<u>11,598</u>	<u>4,344</u>	<u>1,907</u>	<u>4,344</u>	<u>788</u>	<u>215</u>
Total operating expense	<u>376,696</u>	<u>226,324</u>	<u>91,700</u>	<u>36,365</u>	<u>18,909</u>	<u>3,398</u>
Operating income	<u>(9,766)</u>	<u>8,406</u>	<u>(1,080)</u>	<u>(11,607)</u>	<u>(6,567)</u>	<u>1,082</u>
Non-Operating Revenue						
Interest income	<u>2,663</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,663</u>	<u>-</u>
Increase/(decrease) in net assets	(7,103)	8,406	(1,080)	(11,607)	(3,904)	1,082
Net assets, prior year	(16,629)	(3,014)	(18,208)	4,658	(65)	-
Capital contributions	<u>71,333</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,333</u>	<u>-</u>
Net assets, current year	<u>\$ 47,601</u>	<u>\$ 5,392</u>	<u>\$ (19,288)</u>	<u>\$ (6,949)</u>	<u>\$ 67,364</u>	<u>\$ 1,082</u>

Southeast Iowa Regional Planning Commission
Supplementary Schedule of Revenues, Expenses and Changes in Net Assets
Grant Administration
Year Ended June 30, 2005

	<u>Total</u>	<u>CDBG</u>	<u>Brownfield</u>	<u>Homeland Security</u>	<u>Vision Iowa</u>	<u>Other</u>
Revenue						
Administration fees	\$ <u>159,079</u>	\$ <u>72,990</u>	\$ <u>27,525</u>	\$ <u>22,975</u>	\$ <u>-</u>	\$ <u>35,589</u>
Total revenue	<u>159,079</u>	<u>72,990</u>	<u>27,525</u>	<u>22,975</u>	<u>-</u>	<u>35,589</u>
Expense						
Salaries	62,446	15,525	20,851	23,359	-	2,711
Payroll taxes	8,245	2,057	2,741	3,130	-	317
Employee benefits	1,372	-	1,360	12	-	-
Construction expense	973	-	-	-	-	973
Dues and publications	10	10	-	-	-	-
Meetings	634	54	32	-	48	500
Office expense	1,422	131	1,128	51	-	112
Printing and postage	161	9	-	59	-	93
Professional fees	314	-	279	-	35	-
Contractual expenses	2,140	-	1,175	-	-	965
Travel and training	3,663	598	747	716	2	1,600
Indirect costs	<u>18,173</u>	<u>4,400</u>	<u>6,032</u>	<u>5,738</u>	<u>-</u>	<u>2,003</u>
Total operating expense	<u>99,553</u>	<u>22,784</u>	<u>34,345</u>	<u>33,065</u>	<u>85</u>	<u>9,274</u>
Increase/(decrease) in net assets	59,526	50,206	(6,820)	(10,090)	(85)	26,315
Net assets, prior year	<u>168,079</u>	<u>162,011</u>	<u>-</u>	<u>3,885</u>	<u>2,183</u>	<u>-</u>
Net assets, current year	<u>\$ 227,605</u>	<u>\$ 212,217</u>	<u>\$ (6,820)</u>	<u>\$ (6,205)</u>	<u>\$ 2,098</u>	<u>\$ 26,315</u>

Southeast Iowa Regional Planning Commission
Supplementary Schedule of Revenues, Expenses and Changes in Net Assets
Revolving Loan Funds
Year Ended June 30, 2005

	<u>Total</u>	<u>EDA</u>	<u>USDA/IRP</u>	<u>Ft. Madison</u>	<u>Henry County</u>
Revenue					
Administration fees	\$ 4,320	\$ 4,320	\$ -	\$ -	\$ -
Loan closing fees	5,288	-	4,688	600	-
Loan interest income	<u>58,758</u>	<u>29,399</u>	<u>24,335</u>	<u>5,024</u>	<u>-</u>
Total revenue	<u>68,366</u>	<u>33,719</u>	<u>29,023</u>	<u>5,624</u>	<u>-</u>
Expense					
Salaries	30,947	20,474	6,044	2,181	2,248
Payroll taxes	4,112	2,720	799	292	301
Employee benefits	2,000	1,256	411	164	169
Marketing	3	3	-	-	-
Interest expense	4,943	-	4,943	-	-
Meetings	131	81	-	-	50
Office expense	373	207	82	84	-
Printing and postage	30	16	-	-	14
Professional fees	3,023	2,528	407	88	-
Travel and training	510	158	223	88	41
Indirect costs	<u>8,812</u>	<u>5,667</u>	<u>1,569</u>	<u>788</u>	<u>788</u>
Total operating expense	<u>54,884</u>	<u>33,110</u>	<u>14,478</u>	<u>3,685</u>	<u>3,611</u>
Operating income (loss)	<u>13,482</u>	<u>609</u>	<u>14,545</u>	<u>1,939</u>	<u>(3,611)</u>
Non-Operating Revenue					
Interest income	<u>6,375</u>	<u>3,021</u>	<u>3,209</u>	<u>96</u>	<u>49</u>
Increase/(decrease) in net assets	19,857	3,630	17,754	2,035	(3,562)
Net assets, prior year	1,162,850	881,242	150,603	131,005	-
Capital contributions	<u>137,500</u>	<u>-</u>	<u>-</u>	<u>37,500</u>	<u>100,000</u>
Net assets, current year	<u>\$ 1,320,207</u>	<u>\$ 884,872</u>	<u>\$ 168,357</u>	<u>\$ 170,540</u>	<u>\$ 96,438</u>

**Southeast Iowa Regional Planning Commission and Affiliate
Schedule of Expenditures of Federal Awards
Year ended June 30, 2005**

Federal Grantor/Pass-through Grantor/Program	CFDA Number	Project Number	Program Expenditures
<u>U.S. Department of Agriculture</u>			
Direct programs:			
Rural Business-Cooperative Service Intermediary Relending Program	10.767	#16029421013986	\$ <u>650,597</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	707,084
Support for Planning Organizations	11.302	05-83-04033	40,273
Support for Planning Organizations	11.302	05-83-04136	<u>14,291</u>
Total U.S. Department of Commerce direct programs			<u>761,648</u>
Pass-through programs:			
City of Fort Madison Economic Development Administration Section 201 - Public Works	11.300	5-01-03928	<u>343,683</u>
Total U.S. Department of Commerce			<u>1,105,331</u>
<u>U.S. Department of Housing and Urban Development</u>			
Pass-through programs - Iowa Department of Economic Development:			
City of Mt Pleasant/Community Dev Block Grant	14.228	03-ED-014	505,000
City of Morning Sun/Community Dev Block Grant	14.228	02-HSG-047	84,220
City of Grandview/Community Dev Block Grant	14.228	03-WS-065	184,435
City of Wayland/Community Dev Block Grant	14.228	03-WS-067	251,158
City of New London/Comm Dev Block Grant	14.228	04-WS-069	45,596
City of Winfield/Community Dev Block Grant	14.228	04-HSG-057	23,707
City of Ft Madison/Community Dev Block Grant	14.228	03-HSG-095	216,772
Des Moines County/Comm Dev Block Grant	14.228	02-CF-022	<u>389,730</u>
Total U.S. Department of Housing and Urban Development			<u>1,700,618</u>
<u>U.S. Department of Transportation</u>			
Pass-through programs - Iowa Department of Transportation:			
Transportation Planning Work Program	20.515	04RPA-16	79,300
Capital Investment Assistance Project	20.500	IA-03-0103	74,429
Non-Urban Operating Assistance Project	20.509	IA-18-X025	<u>42,668</u>
Total U.S. Department of Transportation			<u>196,397</u>
<u>U.S. Environmental Protection Agency</u>			
Brownfield	66.818	BF-98747801-0	<u>27,525</u>

**Southeast Iowa Regional Planning Commission and Affiliate
Schedule of Expenditures of Federal Awards
Year ended June 30, 2005**

Federal Grantor/Pass-through Grantor/Program	CFDA Number	Project Number	Program Expenditures
<u>Department of Homeland Security</u>			
Pass-through programs - Iowa Department of Public Defense			
City of Burlington	97.047	PDM	6,566
Des Moines County	97.047	PDM	5,227
City of Danville	97.047	PDM	7,500
City of Middletown	97.047	PDM	4,684
City of Mediapolis	97.047	PDM	7,500
City of Ft Madison	97.047	PDM	7,124
City of Keokuk	97.047	PDM	7,500
City of West Burlington	97.047	PDM	<u>7,084</u>
Total Federal Emergency Management Agency			<u>53,185</u>
Total expenditures of federal awards			<u>\$ 3,733,653</u>

The value of U.S. Department of Commerce - Long-Term Economic Development Revolving Loan Fund loans outstanding at June 30, 2005 is \$842,275.

The value of U.S. Department of Agriculture - Revolving Loan Fund under the Intermediary Relending Program loans outstanding at June 30, 2005 is \$566,158.

Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Southeast Iowa Regional Planning Commission 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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**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors
Southeast Iowa Regional Planning Commission
Burlington, Iowa

We have audited the financial statements of Southeast Iowa Regional Planning Commission as of and for the year ended June 30, 2005, and have issued our report thereon dated January 17, 2006. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southeast Iowa Regional Planning Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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.

Compliance

As part of obtaining reasonable assurance about whether Southeast Iowa Regional Planning Commission's financial statements are free of 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 that are required to be reported under Government Auditing Standards.

Comments involving statutory or other legal matters about the Commission's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the Board, management, and other parties to whom the Commission 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.

CPA Associates PC

January 17, 2006



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**Independent Auditor's 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
Southeast Iowa Regional Planning Commission

Compliance

We have audited the compliance of Southeast Iowa Regional Planning Commission 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, 2005. Southeast Iowa Regional Planning Commission'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 programs is the responsibility of Southeast Iowa Regional Planning Commission's management. Our responsibility is to express an opinion on Southeast Iowa Regional Planning Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with 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 and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards 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'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's compliance with those requirements.

In our opinion Southeast Iowa Regional Planning Commission 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, 2005.

Internal Control over Compliance

The management of Southeast Iowa Regional Planning Commission 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'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 other parties to whom the Commission 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.

CPA Associates PC

January 17, 2006

**Southeast Iowa Regional Planning Commission and Affiliate
Schedule of Findings
Year ended June 30, 2005**

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 14.228 - U.S. Department of Housing and Urban Development - Community Development Block Grant

CFDA Number 11.300 - U.S. Department of Commerce - Economic Development Administration Section 201 - Public Works

- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) Southeast Iowa Regional Planning Commission qualified as a low-risk auditee.

Findings Related to the Financial Statements

None.

Findings and Questioned Costs - Major Federal Award Programs Audit

None.

Other Findings Related to Required Statutory Reporting

- (a) Questionable Expenditures - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- (b) Travel Expense - No expenditures of Commission money for travel expenses of spouses of Commission officials or employees were noted.
- (c) Business Transactions - No business transactions between the Commission and Commission officials or employees were noted.

Other Findings Related to Required Statutory Reporting (continued)

- (d) Bond Coverage - Surety bond coverage of Commission officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- (e) Board Minutes - No transactions requiring Board approval were noted which had not be approved.
- (f) Deposits and Investments - The Commission had no investments not authorized under the Code of Iowa or its written investment policy.