

AREA 15 REGIONAL PLANNING COMMISSION  
OTTUMWA, IOWA

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2008

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Area 15 Regional Planning Commission

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Area 15 Regional Planning Commission

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Area 15 Regional Planning Commission, Ottumwa, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the Commission's basic financial statements listed in the table of contents. These financial statements are the responsibility of the Commission's officials. Our responsibility is to express opinions 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 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Area 15 Regional Planning Commission at June 30, 2008, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 2, 2009, on our consideration of Area 15 Regional Planning Commission's internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 12 and 35 through 36, are not required parts of the basic financial statements, but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Area 15 Regional Planning Commission's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our 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.

Peak & Gerdes, LLP  
Certified Public Accountants

January 2, 2009

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Area 15 Regional Planning Commission's financial performance provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2008. Please review it in conjunction with the Commission's basic financial statements, which immediately follow this section.

### **2008 FINANCIAL HIGHLIGHTS**

The Commission's net assets increased \$44,742, which represents a 2.7% increase from 2007. These increases primarily occurred as a result of the collection and non-expenditure of local match funds of \$33,358 for the Iowa Department of Economic Development regional Collaborative Marketing & Advanced Manufacturing program grants and from interest generated by the investment of Commission funds in higher interest bearing Certificates of Deposit (CDs)

Federal/State revenues accounted for \$ 147,227 in revenues or 44.2% of all revenues. Program specific revenues in the form of charges for services accounted for \$ 58,423 or 17.6% of all revenues. The remaining revenues of \$ 127,210 (38.2%) were generated through interest income, Collaborative Marketing/Advanced Manufacturing match funds and Commission memberships.

The Commission had \$ 387,395 in expenses related to staffing and operations with \$ 332,860 in program revenues to cover the costs of Commission programs and services.

Regarding the major funds, the Commission provided \$ 286,566 in new REDI Revolving Loan Fund business loans to four (4) new or expanding regional businesses. Likewise, approximately \$ 17,238 in AHEAD first-time homebuyer loans were extended to provide homeownership to four (4) households.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements as well as other requirements as follows:

Management Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial records.

Government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the Commission as a whole and represent an overall view of the Commission's finances.

Fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Commission's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information, other than MD&A, provides information about the required budgetary comparison information.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the Commission.

## **Reporting the Commission as a Whole**

### ***Statement of Net Assets and Statement of Activities***

To evaluate the Commission as a whole, one of the most important questions asked about the Commission's operations is "Is the Commission as a whole better off or worse as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Commission as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is the form of accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Commission's net assets and changes in them. You can think of the Commission's net assets, the difference between assets (what the Commission owns) and liabilities (what the Commission owes) as one way to measure the Commission's financial health, or financial position. Over time, increases or decreases in the Commission's net assets are one indication of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors however, such as changes in the Commission's programs/services, local jurisdictions' need for Commission technical assistance, and continuing local government support to assess the overall health of the Commission.

### ***Reporting the Commission's Most Significant Funds***

Our analysis of the Commission's major funds begins on page 18, and provides detailed information about the most significant funds - not the Commission as a whole. The non-major fund financial statements begin on page 38. Some funds are required to be established by the grantor agencies. However, many other funds have been established by the Board of Directors to control and manage money for particular purposes (such as CDBG administrative contracts, city code updates, etc.).

**MAJOR FUNDS:**

- Regional Economic Development Investments, Inc. (R.E.D.I., Inc. ) – Regional business revolving loan fund
- Area-wide Housing Enterprises and Development, Inc. (AHEAD, Inc.) Regional Community Housing Development Organization (CHDO)
- Community Development Block Grant (CDBG) administrative contracts
- Local Programs/Special Projects - contracts with local jurisdictions
- Economic Development Administration Grant (EDA)
- Iowa Department of Transportation (IDOT)
- Pre-Disaster Mitigation Program
- Hazard Mitigation Grant Program
- Collaborative Marketing Program

*Governmental Funds:* The Commission's programs and services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds statement provides a detailed short-term view of the Commission's operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to finance the Commission's programs and service delivery.

**THE COMMISSION AS A WHOLE**

The Commission's total net assets changed from a year ago, increasing from \$ 1,675,945 to \$ 1,720,687. Our analysis below focuses on the net assets (Table 1) and changes in net assets of the Commission's activities

**TABLE 1**  
**Net Assets (in thousands)**

	<b>2007</b>	<b>2008</b>	<b>% of Change</b>
Cash & equivalents	\$ 864.7	\$ 905.6	+ 04.7%
Accounts Rec.	53.0	76.1	+ 43.6%
Loans Rec.	821.9	789.6	- 03.9%
Prepaid Exp.	3.4	4.4	+ 29.4%
Capital assets	44.5	57.2	+ 28.5%
<b>TOTAL ASSETS</b>	<b>\$ 1787.5</b>	<b>\$ 1832.9</b>	<b>+ 02.5%</b>
Cash overdraft	\$ 40.6	\$ 54.2	+ 33.5%
Accounts Pay.	5.3	12.9	+143.4%
Accrued liabilities	63.4	15.9	- 74.9%
Other Liabilities	2.2	29.2	+1227.3%
<b>TOTAL LIABILITIES</b>	<b>\$ 111.5</b>	<b>\$ 112.2</b>	<b>+ 00.6%</b>
Net Assets:			
Invested in capital assets	\$ 44.5	\$ 50.4	+ 13.3%
Restricted	1406.6	1424.6	+ 01.3%
Unrestricted	224.9	245.7	+ 09.2%
<b>TOTAL NET ASSETS</b>	<b>\$ 1676.0</b>	<b>\$ 1720.7</b>	<b>+ 2.7%</b>

Net assets of the Commission’s activities increased by 2.7% or \$ 44,742. Total assets were increased primarily due to the collection and non-expenditure of local cash match for the Iowa DED regional collaborative marketing grant and interest income earned due to more aggressive investment policies implemented by the Board. Unrestricted net assets, the part of net assets that can be used to finance day-to day operations without constraints established by grant guidelines or other legal requirements increased from \$ 224,867 to \$245,712 at the end of FY2008.

During the year ended June 30, 2008, revenues from charges for service totaled \$67,214; operating grants, contributions and restricted interest totaled \$257,810; local dues totaled \$48,288; and general revenues from unrestricted investment earnings totaled \$13,932. Program expenses for community and economic development function totaled \$387,424.

**THE COMMISSION’S FUNDS**

Table 2 presents the fund balances of the individual major funds and nonmajor funds and an analysis of significant changes in the fund balances.

**TABLE 2**  
**Year End Fund Balance**  
**(in Thousands)**

	<b>2007</b>	<b>2008</b>	<b>% Change</b>
REDI, Inc	\$ 1042.2	\$ 1061.0	+ 1.8%
AHEAD, Inc.	212.5	209.4	- 1.5%
CDBG admin.contracts	68.2	39.8	- 41.7%
Housing Partnership Fund	41.2	41.2	00.0%
Housing Fund	25.8	25.8	00.0%
LHAP	83.3	83.3	00.0%
Collaborative Mkt./Adv.			
Manufacturing Program	21.9	33.4	+52.5%
Iowa Department of Transportation	-	(18.7)	-100.0%
Pre-Disaster Mitigation Program	-	(11.5)	-100.0%
Hazard Mitigation Grant Program	-	(8.6)	-100.0%
Local Programs	136.3	183.2	+ 34.4%
<b>Total Account Balances</b>	<b>\$ 1631.4</b>	<b>\$ 1638.3</b>	<b>+ 0.4%</b>

The 1.5% decrease in the AHEAD, Inc. fund can be attributed to administrative and legal fees incurred in collection of delinquent accounts.

The CDBG fund balance decrease of 41.7% reflects cost factors related to contractual obligations such as legal services, and outside contracts for housing specialist/inspection services

The REDI fund increase is a result of loan repayments without subsequent new RLF loans extended. This fund increase is an indicator of the softening economic conditions, not just regionally but nationally/internationally.

Increases in the Collaborative Marketing Program are a result of initiating a new Iowa DED & locally funded project, the Advanced Manufacturing marketing project. The increased fund balance is a result of pre-payment of the local match funds prior to expenditure of funds for specific program activities.

Overall, the Commission's and its affiliate's funds rose only 0.4% during 2008 in comparison to the balances as of June 30, 2007. This minimal increase is most likely attributable only to normal cash flow activities.

Table 3 presents a summary of Commission fund revenues for the 2008 fiscal year and the amounts and percentages of increases and decreases in relation to the prior year.

**TABLE 3**  
**Total Governmental Fund Revenues**

<b>Revenue source</b>	<b><u>2007</u></b>	<b><u>% of</u></b>	<b><u>2008</u></b>	<b><u>% of</u></b>	<b><u>Increase</u></b>	<b><u>Percent</u></b>
	<b><u>Amount</u></b>	<b><u>Total</u></b>	<b><u>Amount</u></b>	<b><u>Total</u></b>	<b><u>(Decrease)</u></b>	<b><u>Increase</u></b>
					<b><u>Over 2007</u></b>	<b><u>(Decrease)</u></b>
Use of money and property	\$ 55,128	15.6%	\$ 49,905	15.0%	\$ ( 5,223)	- 9.5%
Charges for service	80,350	22.8%	58,423	17.6%	(21,927)	- 27.3%
Intergovernmental	178,244	50.5%	195,415	58.7%	17,171	+ 9.6%
Miscellaneous	<u>39,092</u>	<u>11.1%</u>	<u>29,117</u>	<u>8.7%</u>	<u>( 9,975)</u>	<u>- 25.6%</u>
<b>TOTAL:</b>	<b>\$ 352,814</b>	<b>100.0%</b>	<b>\$332,860</b>	<b>100.0%</b>	<b>\$(19,954)</b>	<b>- 5.7%</b>

The 25.6% decrease in miscellaneous revenues can be attributed to lower interest rates being paid on REDI and AHEAD bank accounts.

Charges for service revenues decreased by 27.3% due to the fact that the RPC is no longer providing housing related services such as housing specialist/inspection services, lead-based paint hazard reduction testing, and rental housing inspection services. Additionally, the number of CDBG administrative contracts and the subsequent revenue stream decreased during this fiscal year due to the RPC not preparing/submitting any housing or community facility grant applications.

The 9.5% decrease in use of money and property is attributed to the decreased bank interest rates paid on the Commission's fund balances.

Intergovernmental revenues increased by 9.6% in 2008 due in part to the receipt of Iowa DED Collaborative Marketing grant funds.

## **BUDGETARY HIGHLIGHTS**

Table 4 discusses the variance between the budget and the actual results for the fiscal year.

**TABLE 4**  
**Budget versus Actual Results**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues</b>				
Use of money and property	\$ 0	\$ 0	\$ 49,905	\$ 49,905
Charges for service	183,521	207,310	58,423	(148,887)
Intergovernmental	156,881	142,930	195,415	52,485
Miscellaneous	0	0	29,117	29,117
TOTALS:	\$340,402	\$350,240	\$ 332,860	\$ ( 17,380)
<b>Expenditures</b>				
Community and Economic Development	\$341,347	\$355,690	\$ 387,395	\$ (31,705)

### **Budget versus Actual Results**

#### Revenues:

The unbudgeted “Use of money and property” revenue identifies interest income earned from REDI business (\$ 33,333) and AHEAD homebuyer (\$ 2,640) loans as well as interest earned on investments (\$ 13,932). Likewise, the unbudgeted “Miscellaneous” revenue item reflects expense reimbursement on REDI & AHEAD funds as well as local matching funds received for the Collaborative Marketing program. “Intergovernmental” revenues were higher than expected due to the Collaborative Marketing grant funds (\$34,000) and Commission membership and the related per capita contributions.

The variance in the “Charges for service” category is relative to how accounts receivable are reported. Table 4 does not reflect accounts receivable over 60 days old. The reason for this is that government auditing requirements assume that any receivables over 60 days old cannot be counted as “revenues” and are therefore unavailable for utilization in the current financial cycle. Because the RPC had approximately \$ 54,000 in accounts receivable  $\geq$  60 days, the variance for “Charges for Service” appears to be extremely high. The net negative variance of \$17,380 is a truer picture of Actual Revenues vs. Budget.

#### Expenditures:

Expenditure variances can be attributed to the Collaborative Marketing grant project activities as well as audit requirements that long-term equipment leases are expensed out.

## **ECONOMIC FACTORS**

A variety of economic factors affected decisions made by the Commission in setting its FY09 budget. Due to the unique nature of the programs and services provided by the Commission, anticipating revenues for Charges for service was driven by the actual technical/administrative services under contract at the close of FY08. There is great opportunity for additional revenues during FY09 based upon grant applications for community infrastructure and community facilities. Successful award of grant funds prior to June 30, 2009 would directly increase the Commission's revenue stream.

By the same token, additional contracts for services, demand for business loans from REDI, Inc. and/or housing loans from AHEAD, Inc. may increase specific expense categories.

Therefore, a FY09 budget amendment will most likely be necessary prior to the close of the 2009 fiscal year.

Based upon the current budget, the Commission is projecting to end FY09 with a fund balance of \$ 215,000, an approximate 5.0% increase over FY08.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Commission's finances and operating activities. If you have any questions or require additional information, please contact the Executive Director at the Area 15 Regional Planning Commission, 651 Indian Hills Drive – Building 17, P.O.Box 1110, Ottumwa, Iowa 52501 or call (641) 684-6551.

## Basic Financial Statements

Area 15 Regional Planning Commission

Exhibit A

Statement of Net Assets

June 30, 2008

<b>Assets</b>	
Cash and cash equivalents	\$ 905,626
Accounts receivable (Note 3)	76,071
Loans receivable, less allowance for loan losses of \$55,000 (Note 5)	789,587
Prepaid expenses	4,396
Capital assets (net of accumulated depreciation)	57,220
<b>Total assets</b>	<u>1,832,900</u>
 <b>Liabilities</b>	
Cash overdraft	54,150
Accounts payable	12,931
Accrued payroll and related taxes	14,352
Advanced payments - Membership Dues	1,568
Long - term liabilities:	
Portion due within one year:	
Capitalized lease obligations	1,750
Compensated absences payable	22,380
Portion due after one year:	
Capitalized lease obligations	5,082
<b>Total liabilities</b>	<u>112,213</u>
 <b>Net Assets</b>	
Invested in capital assets, net of related debt	50,388
Restricted for:	
Economic Development Administration - Revolving loan funds	1,056,828
Iowa Finance Authority - Housing assistance program	41,196
Helping Iowa's Rural Economy grant program	107,762
Rural Home Building Initiative	54,930
Iowa Department of Economic Development - Local Housing Assistance program	163,871
Unrestricted	245,712
<b>Total net assets</b>	<u>\$ 1,720,687</u>

See notes to financial statements.

Area 15 Regional Planning Commission

Exhibit B

Statement of Activities

Year ended June 30, 2008

	Program Revenues			Net (Expense)
	Operating	Grants,	Capital Grants,	Revenue and
	Contributions	and Restricted	Contributions and	Changes in Net
	and Restricted	Interest	Restricted Interest	Assets
	Charges for			
	Service			
Expenses				Governmental
				Activities
	\$ 378,424	67,214	257,810	(53,400)
<b>Functions / Programs:</b>				
Governmental activities:				
Community and economic development			-	
<b>General Revenues:</b>				
Unrestricted investment earnings				13,932
Local dues				48,288
Total general revenues				62,220
Change in net assets				8,820
Net assets beginning of year, as restated				1,711,867
Net assets end of year				<u>\$ 1,720,687</u>

See notes to financial statements.

Area 15 Regional Planning Commission

Exhibit C

Balance Sheet

June 30, 2008

	Regional Economic Development Investments, Inc. Revolving Loan Fund	AHEAD, Inc. Fund	Community Development Block Grant	Local Programs/Special Projects	Iowa Department of Transportation	Pre-Disaster Mitigation Program	Hazard Mitigation Grant Program	Collaborative Marketing Program	Nonmajor Funds	Total
<b>Assets</b>										
Cash and cash equivalents	\$ 377,008	116,294	33,444	201,673	-	-	-	31,358	145,849	905,626
Accounts receivable	-	-	21,820	100	34,022	11,496	8,633	-	-	76,071
Loans receivable	687,700	95,431	-	-	-	-	-	-	6,456	789,587
Prepaid expenses	-	-	-	4,396	-	-	-	-	-	4,396
Due from other funds	-	-	-	5,975	-	-	-	-	-	5,975
<b>Total assets</b>	<b>\$ 1,064,708</b>	<b>211,725</b>	<b>55,264</b>	<b>212,144</b>	<b>34,022</b>	<b>11,496</b>	<b>8,633</b>	<b>31,358</b>	<b>152,305</b>	<b>1,781,655</b>

**Liabilities and Fund Balances**

<b>Liabilities:</b>										
Cash overdraft	\$ -	-	-	-	34,022	11,495	8,633	-	-	54,150
Accounts payable	-	-	-	12,931	-	-	-	-	-	12,931
Accrued payroll and related taxes	-	-	-	14,352	-	-	-	-	-	14,352
Due to other funds	3,659	2,316	-	-	-	-	-	-	-	5,975
Advanced payments - Membership Dues	-	-	-	1,568	-	-	-	-	-	1,568
Deferred revenue	-	-	15,500	100	18,655	11,496	8,633	-	-	54,384
<b>Total liabilities</b>	<b>3,659</b>	<b>2,316</b>	<b>15,500</b>	<b>28,951</b>	<b>52,677</b>	<b>22,991</b>	<b>17,266</b>	<b>-</b>	<b>-</b>	<b>143,360</b>
<b>Fund balances:</b>										
Unreserved, undesignated	1,061,049	209,409	39,764	183,193	(18,655)	(11,495)	(8,633)	31,358	152,305	1,638,295
<b>Total liabilities and fund balances</b>	<b>\$ 1,064,708</b>	<b>211,725</b>	<b>55,264</b>	<b>212,144</b>	<b>34,022</b>	<b>11,496</b>	<b>8,633</b>	<b>31,358</b>	<b>152,305</b>	<b>1,781,655</b>

See notes to financial statements.

Area 15 Regional Planning Commission

Exhibit D

Reconciliation of the Balance Sheet -  
Governmental Funds to the Statement of Net Assets

June 30, 2008

**Total governmental fund balances (page 16)** \$ 1,638,295

*Amounts reported for governmental activities in the Statement of Net  
Assets are different because:*

Certain assets are not available to pay current period expenditures and,  
therefore, are deferred in the governmental funds. 54,384

Capital assets used in governmental activities are not financial resources  
and, therefore, are not reported as assets in the governmental funds. 57,220

Long - term liabilities, including capitalized lease obligations and  
compensated absences payable, are not due and payable in the  
current period and, therefore, are not reported in the governmental  
funds. (29,212)

**Net assets of governmental activities (page 15)** \$ 1,720,687

See notes to financial statements.

	Regional Economic Development Investments, Inc. Revolving Loan Fund	AHEAD, Inc. Fund	Community Development Block Grant	Local Programs/Special Projects	Economic Development Administration Grant	Iowa Department of Transportation	Pre-Disaster Mitigation Program	Hazard Mitigation Grant Program	Collaborative Marketing Program	Nonmajor Funds	Total
<b>Revenues:</b>											
Use of money and property											
Interest income	\$ 33,333	2,640	-	13,932	-	-	-	-	-	-	49,905
Charges for service											
Late payment fees and penalty	210	873	-	-	-	-	-	-	-	-	1,083
Loan origination fees	5,236	390	-	-	-	-	-	-	-	-	5,626
Contract administration	-	-	51,714	-	-	-	-	-	-	-	51,714
	5,446	1,263	51,714	-	-	-	-	-	-	-	58,423
Intergovernmental											
Federal funds	-	-	-	-	51,000	42,195	11,208	-	-	-	104,403
State funds	-	-	-	-	8,824	-	-	-	34,000	-	42,824
Memberships dues and fees	-	-	-	48,188	-	-	-	-	-	-	48,188
	-	-	-	48,188	59,824	42,195	11,208	-	34,000	-	195,415
Miscellaneous											
	4,779	7,588	-	-	-	-	-	-	14,750	2,000	29,117
Total revenues	43,558	11,491	51,714	62,120	59,824	42,195	11,208	-	48,750	2,000	332,860
<b>Expenditures:</b>											
Operating:											
Community and economic development											
Personnel	9,593	5,777	37,258	4,126	63,608	49,483	20,157	6,506	-	-	196,508
Fringe benefits	3,213	3,061	9,664	75	20,088	11,913	4,330	1,461	-	-	53,805
Travel	115	-	1,746	31	1,568	2,909	25	-	-	-	6,394
Phone	240	264	255	-	1,026	453	-	-	-	-	2,238
Printing and postage	625	167	556	-	1,861	2,254	-	-	-	-	5,473
Supplies	39	15	-	-	1,532	308	-	10	-	-	5,473
Equipment	600	600	1,200	8,264	1,200	3,225	-	-	-	-	1,894
Contractual	1,240	40	25,701	1,815	2,500	200	-	39,333	-	-	15,089
Other	1,200	305	254	871	2,729	879	-	-	-	-	70,829
Indirect costs	872	647	3,546	417	6,164	4,441	1,539	631	-	-	6,238
Administrative fees	6,926	3,744	-	-	-	-	-	-	-	-	18,257
Total expenditures	24,063	14,620	80,180	15,599	102,276	76,065	26,026	8,633	39,333	-	387,395
Excess (deficiency) of revenues over (under) expenditures	18,895	(3,129)	(28,466)	46,521	(42,452)	(33,870)	(14,818)	(8,633)	9,417	2,000	(54,535)
Other financing sources (uses):											
Capitalized lease obligations	-	-	-	8,264	-	-	-	-	-	-	8,264
Operating transfers in	-	-	-	(60,986)	42,452	15,215	3,323	-	-	-	60,990
Operating transfers out	-	-	-	(52,722)	(42,452)	(15,215)	(3,323)	-	-	(4)	(60,990)
Total other financing sources (uses)	-	-	-	(52,722)	(42,452)	(15,215)	(3,323)	-	-	(4)	8,264
Net change in fund balances	18,895	(3,129)	(28,466)	(6,201)	-	(18,655)	(11,495)	(8,633)	9,417	1,996	(46,271)
Fund balances beginning of year, as restated	1,042,154	212,538	68,230	189,394	-	-	-	-	21,941	150,309	1,684,566
Fund balances end of year	\$ 1,061,049	209,409	39,764	183,193	-	(18,655)	(11,495)	(8,633)	31,358	152,305	1,638,295

Area 15 Regional Planning Commission

Exhibit F

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances -  
Governmental Funds to the Statement of Activities

Year ended June 30, 2008

**Net change in fund balances - Total governmental funds (page 18)** **\$ (46,271)**

*Amounts reported for governmental activities in the Statement of  
Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures of capital assets	\$ 16,363	
Depreciation expense	<u>(3,631)</u>	12,732

Certain accounts receivable not collected for several months after year end is not considered available revenue and is deferred in the governmental funds. 54,384

Proceeds of issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	(8,264)	
Repaid	<u>1,432</u>	(6,832)

Compensated absences expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. (5,193)

**Change in net assets of governmental activities (page 15)** **\$ 8,820**

See notes to financial statements.

Area 15 Regional Planning Commission

Notes to Financial Statements

June 30, 2008

Note 1. Summary of Significant Accounting Policies

The Area 15 Regional Planning Commission (Commission) was created pursuant to Chapter 28 of the Iowa Code. The Commission is a voluntary organization of counties and municipal corporations in the east south-central Iowa region. All territory within 10 identified counties is designated to be the east south-central Iowa region.

The Commission is the recipient of several program grants. In addition, funds are received from local member governments to aid in the planning functions of the Area 15 Regional Planning Commission. In exchange for these member government contributions, the Area 15 Regional Planning Commission provides information, planning services, and technical assistance as well as coordinates the activities of these local governments with other local governments or grantor agencies. The Area 15 Regional Planning Commission functions as the comprehensive planning and review agency for the Area 15 region, and is available to assist member governments in any other manner that they may direct.

The financial statements of the Area 15 Regional Planning Commission have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the Area 15 Regional Planning Commission has included all funds, agencies, boards, commissions and authorities. 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 burdens on the Commission.

These financial statements present the Area 15 Regional Planning Commission (the primary government) and its component units. The component units discussed below are included in the Commission's reporting entity because of the significance of its operational or financial relationship with the Commission.

Blended Component Units – The Regional Economic Development Investments, Inc. and AHEAD, Inc. are included in the financial statements of the Area 15 Regional Planning Commission because their relationship with the Commission is such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Commission's Executive Board is also the Board of Regional Economic Development Investments, Inc., and several members of the Commission are on the Board of AHEAD, Inc.

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the Commission. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are primarily supported by intergovernmental revenues and charges for services.

The Statement of Net Assets presents the Commission’s nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

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

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

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital improvements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds. Major governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The Commission reports the following major governmental funds:

Regional Economic Development Investments, Inc. - Revolving Loan Fund – This fund is used to account for the revolving loan fund revenues and expenditures.

AHEAD, Inc. Fund – This fund is used to account for the AHEAD revenues and the related expenditures. This fund also accounts for revolving loan fund revenues and expenditures.

Community Development Block Grant – This fund is used to account for the administrative fees received to administer the Community Development Block Grants for local member governments and the related expenditures.

Note 1. Summary of Significant Accounting Policies (continued)

Local Programs/Special Projects – This fund is used to account for the dues received from member governments and administrative fees received for other special projects and related expenditures.

Economic Development Administrative Grant – This fund is used to account for the Economic Development Administrative Grant proceeds and the related expenditures.

Iowa Department of Transportation – This fund is used to account for the proceeds from the Iowa Department of Transportation Project and the related expenditures.

Pre-Disaster Mitigation (PDM) Program - This fund is used to account for FEMA grant proceeds and the related expenditures to prepare Multi-Hazard, Multi – Jurisdiction Pre-Disaster Hazard Mitigation Plans for Wapello County and Davis County, Iowa. This PDM program is a multi-year program with a project completion date of May 2008.

Hazard Mitigation Grant Program – This fund is used to account for FEMA grant proceeds and the related expenditures to prepare Multi-Hazard, Multi –Jurisdiction Pre-Disaster Hazard Mitigation Plans for Jefferson County and Mahaska County, Iowa. This program is a multi-year program.

Collaborative Marketing Program - This fund accounts for grant funds from the Iowa Department of Economic Development (IDED) to Area 15 RPC as the “pass through” agent on behalf of River Hills Initiative. These grant funds will be matched dollar for dollar by River Hills Initiative (RHI) to undertake a two – year regional collaborative marketing program. Both IDED and RHI funds will be expended for collaborative marketing expenditures.

The Commission reports the following nonmajor governmental funds:

Iowa Department of Economic Development – This fund is used to account for the Iowa Department of Economic Development Grant proceeds and the related expenditures. This fund was merged with the Economic Development Administrative Grant Fund in fiscal year 2008.

Housing Partnership Fund – This fund accounts for revenues received from the Iowa Finance Authority to begin a single-family first time home buyer program, and the related expenditures associated with this program. This fund also accounts for revolving loan fund revenues and expenditures related to the single-family first time home buyer program.

Housing Fund – This fund is used to account for monies received as reimbursement of prior housing costs. The monies will be expended for housing-related expenditures.

Local Housing Assistance Program – This fund is to be used for costs incurred in the acquisition/demolition of vacant, dilapidated structures and redevelopment of the site, and for speculative housing development.

SE Iowa Manufacturing Consortium – This fund was established to account for grant proceeds and contributions from local businesses. These funds will be used to promote the manufactures in the area, and to promote the job opportunities which are available in the manufacturing industry.

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The government-wide 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 the cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within 60 days after year end.

Intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Commission.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of the grant agreements, the Commission funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Commission's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most Commission funds are pooled and invested. Interest earned on investments is recorded in the Local Fund unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

Capital Assets – Capital assets, which include property and equipment, are reported in the applicable governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extend the useful lives are not capitalized. Capital assets are defined by the Commission as assets with initial, individual cost in excess of \$500 and estimated useful lives in excess of two years.

Capital assets of the Commission are depreciated using the straight line method over estimated useful lives of 5-7 years.

Note 1. Summary of Significant Accounting Policies (continued)

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of receivables not collected within sixty days after year end.

Compensated Absences – Commission employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008.

Due From and Due to Other Funds – During the course of operations, the Commission has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2008, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

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.

Indirect Expense Allocation – Expenses relating to the administration of the Commission in general are allocated to the specific program grants based upon actual time spent (salaries, benefits, etc.), or some other equitable basis depending upon the nature of the expenditure.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures exceeded the amounts budgeted in the community and economic development functional area.

Note 2. Cash and Pooled Investments/Concentration of Credit Risk

The Commission's deposits in banks at June 30, 2008 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.

Deposits held by AHEAD, Inc. at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa.

At June 30, 2008, deposits held by the Regional Economic Development Investments, Inc. were covered by federal depository insurance, and by collateral securities held by the custodial bank in the Regional Economic Development Investments, Inc. name.

The Commission, AHEAD, Inc. and Regional Economic Development Investments, Inc. normally invests in Now accounts, savings accounts, money master sweep accounts, and certificates of deposit.

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 Board of Directors; prime eligible bankers' acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts and warrants or improvement certificates of a drainage district.

The Commission, AHEAD, Inc. and Regional Economic Development Investments, Inc. had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statements No. 3 and No. 40.

Note 3. Accounts Receivable

Amounts shown as accounts receivable at June 30, 2008 consist of the following:

<u>Source</u>	<u>Amount</u>
Iowa DOT	\$ 34,022
City of Lockridge	4,200
City of Fairfield	3,000
City of Keosauqua	6,800
City of Eldon	2,200
City of Oskaloosa	4,900
Jefferson County	4,358
Mahaska County	4,275
Davis County	1,020
Wapello County	10,476
Various other cities	820
	<u>\$ 76,071</u>

The Commission believes that all accounts receivable will be collectible. As a result, no allowance for doubtful accounts was established.

Note 4. Due From and Due to Other Funds

The detail of the interfund receivables and payables at June 30, 2008 is as follows:

<u>Receivable Funds</u>	<u>Payable Funds</u>	<u>Amount</u>
Local Programs/ Special Projects	Regional Economic Development Investments Inc. Revolving Loan Fund	\$ 3,659
	AHEAD, Inc. Fund	2,316
		<u>\$ 5,975</u>

The above represents transactions in the normal course of operations.

Note 5. Loans Receivable

Loans receivable are described below:

	<u>Original Amount</u>	<u>Repayment Terms</u>	<u>Security</u>	<u>Balance June 30, 2008</u>
Loan #1	\$ 48,000	60 monthly payments of \$905.82 including interest at 5%. Final payment due in May of 2001. This loan is currently delinquent.	Security agreement on machinery, equipment, furniture, furnishings, fixtures, inventory and accounts receivable. Personal guarantee of corporate officers.	\$10,657
Loan #2	125,000	60 monthly payments of \$2,302.07 including interest of 4%. Final payment due in October, 2008.	Security agreement on furnishings, fixtures, accounts receivable, inventory, and all other general intangibles. Also, mortgage on real estate. Corporate and personal guarantee from the loan principals.	9,132
Loan #3	37,000	60 monthly payments of \$681.41 including interest of 4%. Final payment due in October, 2008.	Security agreement on furnishings, fixtures, accounts receivable, inventory, and all other general intangibles, including an emissions control system and a life insurance policy. Corporate and personal guarantee from the loan principals.	3,373
Loan #4	25,000	60 monthly payments of \$460.41 including interest at 4%. Final payment due in July, 2008.	Security agreement on furnishings, fixtures, accounts receivable, inventory, and all other general intangibles. Also, mortgage on real estate. Corporate and personal guarantee from the loan principals.	459

Note 5. Loans Receivable (continued)

	<u>Original Amount</u>	<u>Repayment Terms</u>	<u>Security</u>	<u>Balance June 30, 2008</u>
Loan #5	\$ 10,000	60 monthly payments of \$184.17 including interest at 4%. Final payment due in December, 2008.	Security agreement on furnishings, fixtures, accounts receivable, inventory, and all other general intangibles. Personal guarantee from the owners.	\$ 1,092
Loan #6	30,000	60 monthly payments of \$552.50 including interest at 4%. Final payment due in April, 2009.	Security agreement on furnishings, fixtures, accounts receivable, inventory, and all other general intangibles. Corporate and personal guarantee from the loan principals.	5,425
Loan #7	10,000	60 monthly payments of \$184.17 including interest at 4%. Final payment due in May, 2009.	Security agreement on furnishings, fixtures, accounts receivable, inventory, and all other general intangibles, and first possession security interest in two ATV's. Personal guarantee from the owners.	3,950
Loan #8	100,000	60 monthly payments of \$1,846.95 including interest at 4%. Final payment due in November, 2009.	Security agreement on equipment, inventory, accounts receivable and all other general intangibles. Personal guarantee from the owners.	30,388
Loan #9	125,000	60 monthly payments of \$2,302.07 including interest at 4%. Final payment due in January, 2010.	Security agreement on fixtures, machinery, equipment, inventory, accounts receivable, and all other general intangibles. Also, mortgage on real estate. Personal guarantee from the owners.	65,324
Loan #10	125,000	60 monthly payments of \$2,302.07 including interest at 4%. Final payment due in January, 2010.	Security agreement on machinery, inventory, accounts receivable, and all other general intangibles. Also, mortgage on real estate. Personal guarantee from the owners.	42,314
Loan #11	125,000	60 monthly payments of \$2,302.07 including interest at 4%. Final payment due in July, 2010.	Security agreement on all machinery and equipment accounts receivable, inventory, and all other general intangibles. Personal guarantees from the loan principals.	55,131

Note 5. Loans Receivable (continued)

	<u>Original Amount</u>	<u>Repayment Terms</u>	<u>Security</u>	<u>Balance June 30, 2008</u>
Loan #12	\$ 10,000	60 monthly payments of \$188.71 including interest of 5%. Final payment due in April, 2011.	Security agreement on equipment, accounts receivable, inventory, and all other general intangibles, including shelving and containers on leased property. Corporate and personal guarantee from the loan principals.	\$ 5,971
Loan #13	51,200	60 monthly payments of \$966.21 including interest at 5%. Final payment due in March, 2011.	Security agreement on equipment, accounts receivable, inventory, and all other general intangibles. Corporate and personal guarantee from the loan principals.	34,713
Loan #14	75,000	60 monthly payments of \$1,415.34 including interest at 5%. Final payment due in July, 2011.	Security agreement on all machinery and equipment, accounts receivable, inventory, and all other general intangibles. Corporate and personal guarantee from the loan principal.	67,183
Loan #15	85,000	60 monthly payments of \$1,604.05 including interest at 5%. Final payment due in September, 2011.	Security agreement on equipment, accounts receivable, inventory, and all other general intangibles. Personal guarantee from the loan principal.	70,989
Loan #16	100,000	60 monthly payments of \$1,887.12 including interest at 5%. Final payment due in November, 2011.	Security agreement on all inventory, accounts receivable, equipment, all other general intangibles, and three specific machines. Personal guarantee of the loan principal.	57,629
Loan #17	62,500	60 monthly payments of \$1,179.45 including interest at 5%. Final payment due in August, 2012.	Security agreement on all inventory, accounts receivable, equipment, all other general intangibles, as well as specific equipment and software. Personal guarantee of the loan principal.	53,135
Loan #18	100,000	60 monthly payments of \$1,887.12 including interest at 5%. Final payment due in January, 2013.	Security agreement on all inventory, accounts receivable, equipment, all other general intangibles, as well as specific equipment. Second mortgage on real estate. Personal guarantee of the loan principal.	92,711

Note 5. Loans Receivable (continued)

	<u>Original Amount</u>	<u>Repayment Terms</u>	<u>Security</u>	<u>Balance June 30, 2008</u>
Loan #19	\$ 60,000	60 monthly payments of \$1,132.27 including interest at 5%. Final payment due in June, 2013.	Security agreement on all inventory, accounts receivable, equipment, and all other general intangibles. Second mortgage on real estate. Personal guarantee from the loan principals.	\$ 60,000
Loan #20	64,066	60 monthly payments of \$1,209 including interest at 5%. Final payment due in May, 2013.	Security agreement on all inventory, accounts receivable, equipment, all other general intangibles, as well as specific equipment. Personal guarantee of the loan principals.	63,124
<p>The Commission has established a revolving loan fund with funds received from the Iowa Finance Authority – Helping Iowa’s Rural Economy Grant Program. A maximum payment of \$5,000 for first time homebuyers to be used for down payment assistance will be made to qualified individuals. The loans carry a term of 5 years at 3% interest. The repayment of the loans are due monthly. Until the loan balance is paid off, the Commission holds a second mortgage on the real estate.</p>				15,929
<p>The Commission has established a revolving loan fund with funds received from the Iowa Finance Authority – Housing Assistance Fund. A maximum payment of \$3,000 for first time homebuyers to be used for down payment, closing costs or minimal repair assistance will be made to qualified individuals. The loans carry a term of 5 years at 2% interest. The repayment of the loans are due monthly; however, the first principal and interest payment is not due until 12 months after closing. Until the loan is paid off, the Commission holds a second mortgage on the real estate.</p>				6,456
<p>The Commission has established a revolving loan fund with funds received from the Iowa Department of Economic Development – Local Housing Assistance Program. A maximum payment of \$5,000 for first time homebuyers to be used for down payment assistance will be made to qualified individuals. The loans carry a term of 5 years at 3% interest. The repayment of the loans are due monthly. Until the loan balance is paid off, the Commission holds a second mortgage on the real estate.</p>				89,502
Subtotal				844,587
Less allowance for loan losses				<u>55,000</u>
Total				<u>\$789,587</u>

Note 6. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Economic Development Administration Grant	Iowa Department of Economic Development	<u>\$ 4</u>
Economic Development Administration Grant		42,448
Iowa Department of Transportation		15,215
Pre-Disaster Mitigation Program	Local Programs/Special Projects	<u>4</u>
		<u>57,667</u>
Total		<u>\$ 60,990</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. However, these transfers were to cover a fund deficit and to meet the local grant match requirements.

Note 7. Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets				
Equipment	\$ 22,534	15,088	-	37,622
Real estate	42,786	1,275	-	44,061
Total capital assets	<u>65,320</u>	<u>16,363</u>	<u>-</u>	<u>81,683</u>
Less accumulated depreciation				
Equipment	<u>20,832</u>	<u>3,631</u>	<u>-</u>	<u>24,463</u>
Total capital assets depreciated, net	<u>\$ 44,488</u>	<u>12,732</u>	<u>-</u>	<u>57,220</u>

Depreciation expense for the year totaled \$3,631.

Note 8. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Capitalized lease obligations	\$ -	8,264	1,432	6,832	1,750
Compensated absences	17,187	5,193	-	22,380	22,380
<b>Total</b>	<b>\$ 17,187</b>	<b>13,457</b>	<b>1,432</b>	<b>29,212</b>	<b>24,130</b>

Capitalized Lease Obligations

The Commission has entered into capital leases for the purchase of office equipment. The assets have been capitalized at cost.

Future minimum lease payments for the capital lease commitments are as follows:

Year Ended June 30 -	Amount
2009	\$ 1,931
2010	1,931
2011	1,931
2012	1,440
<b>Total</b>	<b>7,233</b>
Less amount attributable to interest	401
<b>Present value of minimum lease payments</b>	<b>\$ 6,832</b>

The interest rate on the capitalized lease is 3.0%, and is imputed based on the Commission's incremental borrowing rate. Payments made under the capitalized lease obligations for the year ended June 30, 2008, totaled \$1,630.

Note 9. Operating Leases

The Commission's two operating leases are described below.

- (A) Office Space – The office space lease is cancelable with sixty days written notice. Office space rental expense totaled \$10,994 for the year ended June 30, 2008.
- (B) Office Equipment - The Commission was leasing office equipment. However, these leases all expired during the fiscal year. Total rent expense for the office equipment for the year ended June 30, 2008 was \$420.

Note 10. Pension and Retirement Benefits

The 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 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the Commission is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The Commission's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$11,383, \$9,862 and \$10,895 respectively, equal to the required contributions for each year.

Note 11. Risk Management

The Area 15 Regional Planning Commission is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Commission assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 12. Deficit Fund Balances

At June 30, 2008, the Commission had deficit fund balances as follows:

Iowa Department of Transportation	\$ 18,655
Pre-Disaster Mitigation Program	11,495
Hazard Mitigation Grant Program	8,633

These deficits will be eliminated once the accounts receivables are collected in September, 2008 or later.

Note 13. Mortgage Liens

In addition, to the mortgages discussed in note 5 above, the Commission holds a first or second mortgage on approximately seventeen additional parcels of real estate. When certain criteria are met by the owners, either through the passage of time or ownership requirements, the Commission will release the mortgage. In the event of default by the owners, the Commission would be entitled to reimbursement. However, any reimbursement that might be received as a result of defaults is not believed to be material.

Note 14. Contingency

The Commission participates in a number of Federal and State grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant and loan agreements and applicable federal and state regulations, including the expenditures of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability to the Commission.

Note 14. Contingency (continued)

In fiscal year 2009, the Iowa Department of Economic Development demanded repayment of \$91,177. The Iowa Department of Economic Development has asserted that the Commission over charged the Community Development Block Grant program, and that these funds are due to them from the Commission. The Commission is aggressively defending this claim through the court system. This amount has not been accrued on the financial statements because it appears the loss is only reasonably possible, and the amount of the loss, if any, can not be reasonably determined.

Note 15. Restatements

Fund Financial Statements:

The beginning fund balance of the Local Programs/Special Projects Fund was restated to properly record the accrued compensated absences under the modified accrual basis of accounting.

	<u>Local Programs/ Special Projects</u>
Beginning balance, at June 30, 2007 as previously reported	\$ 136,285
To remove compensated absence liabilities from the governmental funds	<u>53,109</u>
Beginning balance, at July 1, 2007 as restated	<u>\$ 189,394</u>

Government-Wide Financial Statement:

The beginning fund balance of the governmental activities was restated, as follows, for the effects of the above.

	<u>Governmental Activities</u>
Beginning balance, at June 30, 2007 as previously reported	\$ 1,675,945
To remove compensated absence liabilities from the government wide financial statement	53,109
To properly record compensated absence liability in the government wide financial statement	<u>(17,187)</u>
Beginning balance, at July 1, 2007 as restated	<u>\$ 1,711,867</u>

In addition, as documented in note 8 to the financial statements, the beginning long-term liability balance was restated to a balance of \$17,187 as of July 1, 2007 for the effects of the above.

Required Supplementary Information

Area 15 Regional Planning Commission

Budgetary Comparison Schedule  
of Revenues, Expenditures, and Changes in Balances -  
Budget and Actual -  
Governmental Funds

Required Supplementary Information

Year ended June 30, 2008

	Governmental Funds Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
<b>Revenues:</b>				
Use of money and property	\$ 49,905	-	-	49,905
Charges for service	58,423	183,521	207,310	(148,887)
Intergovernmental	195,415	156,881	142,930	52,485
Miscellaneous	29,117	-	-	29,117
Total revenues	<u>332,860</u>	<u>340,402</u>	<u>350,240</u>	<u>(17,380)</u>
<b>Expenditures:</b>				
Community and economic development	<u>387,395</u>	<u>341,347</u>	<u>355,690</u>	<u>(31,705)</u>
Total expenditures	<u>387,395</u>	<u>341,347</u>	<u>355,690</u>	<u>(31,705)</u>
Excess of revenues over expenditures	(54,535)	(945)	(5,450)	(49,085)
Other financing sources (uses), net	<u>8,264</u>	-	-	<u>8,264</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(46,271)	(945)	(5,450)	(40,821)
Balances beginning of year, as restated	<u>1,684,566</u>	<u>120,000</u>	<u>376,760</u>	<u>1,307,806</u>
Balances end of year	<u>\$ 1,638,295</u>	<u>119,055</u>	<u>371,310</u>	<u>1,266,985</u>

See accompanying independent auditor's report.

Area 15 Regional Planning Commission

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No, 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for each fund.

The Commission annually adopts a budget for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. The Commission's budget is prepared on a GAAP basis.

Formal and legal budgetary control is based upon nine major classes of expenditures known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Although the budget document presents function expenditures by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted expenditures by \$14,343. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, expenditures in the community and economic development function exceeded the amounts budgeted.

Other Supplementary Information

Area 15 Regional Planning Commission

Schedule 1

Combining Balance Sheet  
Nonmajor Funds

June 30, 2008

	Housing Partnership Fund	Housing Fund	Local Housing Assistance Program	SE Iowa Manufacturing Consortium	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 34,740	25,824	83,285	2,000	145,849
Loans receivable	6,456	-	-	-	6,456
<b>Total assets</b>	<b>\$ 41,196</b>	<b>25,824</b>	<b>83,285</b>	<b>2,000</b>	<b>152,305</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:	\$ -	-	-	-	-
Fund equity:					
Fund balances					
Unreserved, undesignated	41,196	25,824	83,285	2,000	152,305
<b>Total liabilities and fund balances</b>	<b>\$ 41,196</b>	<b>25,824</b>	<b>83,285</b>	<b>2,000</b>	<b>152,305</b>

See accompanying independent auditor's report.

Area 15 Regional Planning Commission

Schedule 2

Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances - Nonmajor Funds

Year ended June 30, 2008

	Iowa Department of Economic Development	Housing Partnership Fund	Housing Fund	Local Housing Assistance Program	SE Iowa Manufacturing Consortium	Total
Revenues:						
Miscellaneous	\$ -	-	-	-	2,000	2,000
Total revenues	-	-	-	-	2,000	2,000
Expenditures:						
Operating						
Community and economic development						
Total expenditures	-	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	2,000	2,000
Other financing sources (uses):						
Operating transfers out	(4)	-	-	-	-	(4)
Total other financing sources (uses)	(4)	-	-	-	-	(4)
Net change in fund balances	(4)	-	-	-	2,000	1,996
Fund balances beginning of year	4	41,196	25,824	83,285	-	150,309
Fund balances end of year	\$ -	41,196	25,824	83,285	2,000	152,305

See accompanying independent auditor's report.

Area 15 Regional Planning Commission

Schedule 3

Schedule of Revenues by Source and Expenditures by Function -  
All Governmental Funds

For the Last Five Years

	Modified Accrual Basis				
	2008	2007	2006	2005	2004
<b>Revenues:</b>					
Use of money and property	\$ 49,905	55,128	45,083	35,362	37,317
Charges for service	58,423	80,350	121,005	123,320	92,106
Intergovernmental	195,415	178,244	173,966	171,466	207,080
Miscellaneous	29,117	39,092	8,940	4,665	30,862
<b>Total</b>	<b>\$ 332,860</b>	<b>352,814</b>	<b>348,994</b>	<b>334,813</b>	<b>367,365</b>
<b>Expenditures:</b>					
<b>Operating:</b>					
Community and economic development	\$ 387,395	323,711	368,947	373,073	442,097
	<b>\$ 387,395</b>	<b>323,711</b>	<b>368,947</b>	<b>373,073</b>	<b>442,097</b>

See accompanying independent auditor's report.

Area 15 Regional Planning Commission  
Schedule of Expenditures of Federal Awards

Schedule 4

Year ended June 30, 2008

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Program Expenditures</u>
<b>Direct -</b>			
U.S. Department of Commerce -			
Economic Development Administration -			
Economic Development - Support for Planning Organizations	11.302	05-83-04438	\$ 51,000
Economic Adjustment Assistance	11.307	N/A	801,246
	<b>Total direct</b>		<b>852,246</b>
<b>Indirect -</b>			
U.S. Department of Housing and Urban Development -			
Passed through Iowa Department of Economic Development and various cities and counties -			
Community Development Block Grants/State's Program	14.228	Various	80,180
U.S. Federal Transit Administration -			
Iowa Department of Transportation -			
Federal Transit Metropolitan Planning Grants	20.505	08-RPA-15	40,914
Formula Grants For Other Than Urbanized Areas	20.509	08-RPA-15	19,936
U.S. Department of Homeland Security -			
Passed through Iowa Homeland Security and Emergency Management Division and Wapello County Emergency Management and Davis County Board of Supervisors -			
Pre-Disaster Mitigation Competitive Grants	97.017	N/A	22,700
U.S. Department of Homeland Security -			
Passed through Iowa Homeland Security and Emergency Management Division and Jefferson County Board of Supervisors and Mahaska County Board of Supervisors -			
Hazard Mitigation Grant	97.039	FEMA -1688-DR-1A	7,617
	<b>Total indirect</b>		<b>171,347</b>
		<b>Total</b>	<b>\$ 1,023,593</b>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Area 15 Regional Planning Commission and is presented in conformity with the modified accrual basis of accounting, except for revolving fund loan transactions (Economic Adjustment Assistance, CFDA 11.307) which are recorded for the year ended June 30, 2008 at an amount equal to the balance of outstanding revolving fund loans, the cash balance, plus the administrative costs incurred in the program during the fiscal year. 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.

See accompanying independent auditor's report.

PEAK & GERDES, LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
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WEST DES MOINES, IA 50265

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND 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  
Area 15 Regional Planning Commission

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Area 15 Regional Planning Commission, as of and for the year ended June 30, 2008, which collectively comprise the Area 15 Regional Planning Commission's basic financial statements listed in the table of contents, and have issued our report thereon dated January 2, 2009. 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 Area 15 Regional Planning Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Area 15 Regional Planning Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Area 15 Regional Planning Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency, including a deficiency we consider to be a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Area 15 Regional Planning Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Area 15 Regional Planning Commission's financial statements that is more than inconsequential will not be prevented or detected by Area 15 Regional Planning Commission's internal control. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Area 15 Regional Planning Commission's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiency described above, we believe item I-A-08 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Area 15 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, non-compliance 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 non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2008 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.

Area 15 Regional Planning Commission's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the Commission's responses, we did not audit Area 15 Regional Planning Commission's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Area 15 Regional Planning Commission and other parties to whom Area 15 Regional Planning 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.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Area 15 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.

Peak & Gerdes, LLP  
Certified Public Accountants

January 2, 2009

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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 Board of Directors  
Area 15 Regional Planning Commission

Compliance

We have audited the compliance of Area 15 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 program for the year ended June 30, 2008. Area 15 Regional Planning Commission's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Area 15 Regional Planning Commission's management. Our responsibility is to express an opinion on Area 15 Regional Planning Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, 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 and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance 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 Area 15 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 of Area 15 Regional Planning Commission's compliance with those requirements.

In our opinion, Area 15 Regional Planning Commission complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Area 15 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 Area 15 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Area 15 Regional Planning Commission's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Commission's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in the Commission's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Commission's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Commission's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-08 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Commission's internal control. We did not consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

Area 15 Regional Planning Commission's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the Commission's responses, we did not audit Area 15 Regional Planning Commission's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Area 15 Regional Planning Commission and other parties to whom Area 15 Regional Planning 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.

Peak & Gerdes, LLP  
Certified Public Accountants

January 2, 2009

Area 15 Regional Planning Commission  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2008

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over the major program was disclosed by the audit of the financial statements. However, we did not consider the deficiency to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 11.307 – Economic Adjustment Assistance.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Area 15 Regional Planning Commission did qualify as a low-risk auditee.

Area 15 Regional Planning Commission  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2008

**Part II: Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

II-A-08 CDBG Issues – According to a special report released in April, 2008 by the Auditor of State, hourly rates, which include both direct and indirect costs, may be used by the Commission to bill cities and counties for the administration of CDBG projects if the rates are supported by calculations and actual costs. For the past several years, the Commission has billed cities and counties \$35 per hour for administering CDBG projects. The hourly rate could not be supported by documentation or approval by the Board. In addition, the Commission has maintained a positive fund balance in the CDBG program for the past several years. The CDBG program fund balance at June 30, 2008 totaled \$39,764. The fund balance accumulated as a result of the Commission receiving administrative fees from the cities and counties for the projects in excess of the recorded CDBG costs. According to the special report issued by the Auditor of State, the Commission should recover only the actual direct and indirect costs incurred to administer the CDBG projects.

Recommendation – The Commission should ensure the hourly rate used to bill cities and counties is properly supported by actual costs and the rate is reviewed at least annually for each type of project administered. In addition, the Commission should work with the Iowa Department of Economic Development to resolve the issues associated with the fund balance of \$39,764 at June 30, 2008.

Response – The Commission has pursued issue resolution with the Iowa Department of Economic Development (IDED) and the Auditor of State (AOS). RPC Executive Board members met with IDED & AOS in May 2008 and September 2008, respectively, in an attempt to resolve this matter. The special report issued by the AOS on April 1, 2008 alleges that the RPC overbilled the respective CDBG recipient cities/counties for contracted services provided by the RPC in the administration of their CDBG project. The allegation is based upon the AOS interpretation that the RPC is a subrecipient. This whole issue revolves around whether the RPC is considered a subrecipient or vendor in relation to its administrative contracts with the local government's award of CDBG program funds. The RPC has provided CDBG contractual administrative services to numerous local jurisdictions throughout our geographic service delivery area for over fifteen (15) years. During that time the RPC has always operated as a vendor (contractor). To further support the RPC's function as a vendor, over the past 15 years the IDED has:

- Never advised our CDBG awarded local jurisdictions (cities and counties) that the RPC should be considered a subrecipient; and
- Never advised the RPC that we should be considered a subrecipient; and
- Conducted "monitoring visits" on all CDBG projects which the RPC was the contracted administrator, reviewed the administrative contract, project activities, and various other program elements. During those "monitoring visits" IDED field representatives never advised that: 1) IDED considered the RPC a subrecipient; or 2) the RPC or the City were non-compliant with HUD policies, procedures, rules or regulations; and
- Provided "close out" compliance letters on all CDBG projects which the RPC was the contracted administrator. Each compliance letter advised that the project is closed out and that there are no non-compliance issues with the projects.

Area 15 Regional Planning Commission  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2008

It is also important to note that IDEED has awarded numerous CDBG housing/water & sewer/community facilities project funds throughout the Area 15 RPC's geographic region. It is also important to note that the RPC was not the administrator of each and every CDBG project awarded. In many instances, other non-profit organizations were selected as CDBG project administrator (RC&Ds, development groups/organizations, etc.). The RPC is anxious to receive information from both IDEED and AOS regarding their review of the administrative fees, services and reports from these other non-profit CDBG administrators.

In regard to establishing an hourly rate for the RPC to use to bill cities and counties, the RPC Board and staff completed an in-depth analysis of cost factors in May/June 2008. The result of this analysis was the development of an hourly rate for the 2009 fiscal year. The rate, which is properly supported by actual costs, was adopted by the Board and made effective July 1, 2008 (FY09). Additionally, the rate was revised in January 2009 based upon consultation with the RPC's CPA firm.

The RPC will review this rate at least annually and adjust as necessary.

Conclusion – Response accepted. However, the Commission should continue to work with the Iowa Department of Economic Development in an attempt to resolve these issues.

**INSTANCES OF NONCOMPLIANCE:**

No matters were noted.

Area 15 Regional Planning Commission  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2008

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NONCOMPLIANCE:**

No matters were reported.

**SIGNIFICANT DEFICIENCIES:**

**CFDA Number 11.307: Economic Adjustment Assistance  
Federal Award Year: 1990 & 1994  
U.S. Department of Commerce  
Passed through the Economic Development Administration**

III-A-08 Monitoring of Loans – Although the loan monitoring was improved during the year, documentation such as attorney review, certifications, and insurance certificates were not always on file for loans made by Regional Economic Development Investments, Inc. In addition, employment reports and financial statements were not always obtained from the borrowers. These documents are required by the conditions of the loans.

Recommendation – Regional Economic Development Investments, Inc. should continue to work on establishing procedures to ensure that the borrowers are properly monitored for compliance with the conditions of the loans.

Response – We will continue to work on this.

Conclusion – Response accepted.

Area 15 Regional Planning Commission  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2008

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-08 Budget – Expenditures for the year ended June 30, 2008 exceeded the amended certified budget in the community and economic development function.

Recommendation – The certified budget should have been amended before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

IV-B-08 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-08 Travel Expense – No expenditures of Commission money for travel expenses of spouses of Commission officials or employees were noted.

IV-D-08 Business Transactions – No business transactions between the Commission and Commission officials or employees were noted.

IV-E-08 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not. However, the published Board minutes do not include the related schedule of bills allowed, as required by Chapter 28E of the Code of Iowa.

Recommendation – The Commission implement procedures to ensure all Board minutes and related schedule of bills allowed are published, as required by the Code of Iowa.

Response – We will implement this recommendation.

Conclusion – Response accepted.

IV-F-08 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted, except that the Board did not specify in the Board minutes each depository approved, and the maximum amount which may be kept on deposit in each depository.

Recommendation – To be in compliance with Chapter 12C of the Code of Iowa, the Commission should implement procedures to ensure the Board minutes document each depository approved, and the maximum amount which may be kept on deposit in each depository.

Response – We will implement this recommendation.

Conclusion – Response accepted.

Area 15 Regional Planning Commission

Schedule of Findings and Questioned Costs

Year Ended June 30, 2008

IV-G-08 Concentration of Credit Risk – At times during the year ended June 30, 2008, the Regional Economic Development Investments, Inc. deposits were in excess of the amount covered by Federal depository insurance, or by collateral securities.

Recommendation – The Regional Economic Development Investments, Inc. should implement procedures to ensure all funds are adequately insured.

Response – We will review this area and take action as warranted.

Conclusion – Response accepted.

IV-H-08 Financial Condition - The Iowa Department of Transportation Fund, Pre-Disaster Mitigation Program Fund and the Hazard Mitigation Grant Program Fund all had deficit balances at June 30, 2008.

Recommendation – The Commission should monitor these accounts in order to eliminate these deficits.

Response – These deficit balances were eliminated from the collection of accounts receivables. These accounts receivables were collected in September 2008 and later.

Conclusion – Response accepted.

IV-I-08 Compliance Issues – Our review noted that the financial reports due to the Economic Development Administration (EDA) were not completed. In addition, one instance was noted where there was no proof that AHEAD Inc. was included as a loss payee on the individual's insurance policy. Including AHEAD Inc. as a loss payee on the individual's insurance is required as a condition of the loan between AHEAD Inc. and the individual.

Recommendation – The Commission complete all EDA reports as required. In addition, AHEAD Inc. should implement procedures to ensure all requirements of the loan agreements between AHEAD Inc. and the individuals are followed.

Response – We will implement these recommendations to the best of our ability.

Conclusion – Response accepted.

Area 15 Regional Planning Commission  
Corrective Action Plan for Federal Audit Findings  
Year Ended June 30, 2008

Comment Number	Comment Title	Corrective Action Plan	Contact Person, Title, Phone Number	Anticipated Date of Completion
III-A-08	Monitoring of Loans	We will set up a checklist, and be more vigilant, to ensure all documents required on the loans are obtained.	Ellen Foudree Executive Director (641) 684-6551	Immediately

Area 15 Regional Planning Commission  
Summary Schedule of Prior Federal Audit Findings  
Year Ended June 30, 2008

Comment Reference	Comment Title	Status	If not corrected, planned corrective action or other explanation
III-A-07	Monitoring of Loans	Not corrected	In the process of implementation