

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, 2009

Peak & Co., LLP
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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, 2009, 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, 2009, 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 4, 2010, 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 on pages 6 through 12 is not a required part of the basic financial statements, but is 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 five years ended June 30, 2008 (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 & Co., LLP
Certified Public Accountants

January 4, 2010

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, 2009. Please review it in conjunction with the Commission's basic financial statements, which immediately follow this section.

2009 FINANCIAL HIGHLIGHTS

The Commission's net assets increased \$17,498, which represents a 1.0% increase from 2008. These increases primarily occurred as a result of the re-allocation of accrued employee benefits and monies due from the State in relation to the IDED Grant Programs.

Federal/State revenues accounted for \$798,772 in revenues or 78.1% of all revenues. Program specific revenues in the form of charges for services accounted for \$86,431 or 8.4% of all revenues. The remaining revenues of \$137,905 (13.5%) were generated through interest income, Collaborative Marketing match funds and Commission memberships.

The Commission had \$989,948 in expenses related to staffing and operations with \$1,023,108 in program revenues to cover the costs of Commission programs and services.

Regarding the major funds, the Commission provided a \$75,000 new REDI Revolving Loan Fund business loan to one (1) new regional business. Likewise, approximately \$7,387 in AHEAD first-time homebuyer loans were extended to provide homeownership to three (3) 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.

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 16, and provides detailed information about the most significant funds - not the Commission as a whole. The non-major fund financial statements begin on page 35. 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 administrative contracts, city code updates, etc.).

MAJOR FUNDS:

- General
- 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)
- Administrative contracts – contracts with local jurisdictions
- Economic Development Administration Grant (EDA)
- Iowa Department of Transportation (IDOT)
- Jumpstart Program – housing/business/infrastructure disaster recovery programs
- Hazard Mitigation Grant Program
- Iowa Dept. of Economic Development (IDED) Grant Programs – collaborative marketing programs

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 \$1,720,687 to \$1,738,185. Our analysis below focuses on the net assets (Table 1) and changes in net assets of the Commission's activities.

	2008	2009	% of Change
Cash & equivalents	\$ 905.6	\$ 913.9	+ 00.9%
Accounts Rec.	76.1	127.6	+ 67.7%
Loans Rec.	789.6	721.8	- 08.6%
Prepaid Exp.	4.4	3.7	- 15.9%
Capital assets	57.2	56.3	- 01.6%
TOTAL ASSETS	\$ 1832.9	\$ 1823.3	- 00.5%
Cash overdraft	\$ 54.2	\$ 0.0	- 100.0%
Accounts payable	12.9	43.8	+239.5%
Accrued liabilities	15.9	14.7	- 07.5%
Long - Term liabilities	29.2	26.6	- 08.9%
TOTAL LIABILITIES	\$ 112.2	\$ 85.1	- 24.2%
Net Assets:			
Invested in capital assets	\$ 50.4	\$ 51.2	+ 1.6%
Restricted	1424.6	1421.8	- 0.2%
Unrestricted	245.7	265.2	+ 7.9%
TOTAL NET ASSETS	\$ 1720.7	\$ 1738.2	+ 1.0%

Net assets of the Commission's activities increased by 1.0%, or \$17,498. Total assets were increased primarily due to the re-allocation of accrued employee benefits and interest income earned on Commission funds through investments in certificates of deposit. 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 \$245,712 to \$265,252 at the end of FY2009.

During the year ended June 30, 2009, revenues from charges for service totaled \$52,532; operating grants, contributions and restricted interest totaled \$403,668; capital grants, contributions and restricted interest totaled \$495,469; local dues totaled \$46,269; and general revenues from unrestricted investment earnings totaled \$7,837. Program expenses for community and economic development function totaled \$988,277.

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)

	2008	2009	% Change
General	\$ 183.2	\$ 146.5	- 20.0%
REDI, Inc	1061.0	1064.0	+ 0.3%
AHEAD, Inc.	209.4	192.7	- 8.0%
Administrative contracts	39.8	34.3	- 13.8%
Economic Development Admin.	0.0	2.0	+ 200.0%
Iowa Department of Transportation	(18.7)	0.0	+ 100.0%
Jumpstart Program	0.0	19.2	+1920.0%
Hazard Mitigation Grant Program	(8.6)	(16.2)	- 88.4%
IDED Grant Programs	31.4	78.7	+ 150.6%
Non-major Programs	140.8	150.3	- 6.7%
Total Account Balances	\$ 1638.3	\$ 1671.5	+ 2.0%

The decrease in General Fund balance is a result of legal expenses incurred by the Commission during this fiscal year.

The REDI fund increase is a result of loan repayments without subsequent new RLF loans extended, and given the fact that the revenue received from this program exceeds the administrative costs to operate this program. This fund increase is an indicator of the softening economic conditions, not just regionally but nationally/internationally.

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

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

The increase in the Economic Development Administrative Grant is due to a new grant received to coordinate the disaster recovery operations related to the flood of 2008. As of June 30, 2009, the amount of revenues received from this program exceeded the costs incurred to date.

The changes in fund balance in the Iowa Department of Transportation program was a result of collecting outstanding accounts receivable for FY 2008 in FY 2009.

The Jumpstart Program was initiated in October 2008 by the Iowa Legislature in response to the Federal Disaster Declaration of the 2008 Floods. The RPC was designated to distribute housing disaster recovery funds within a six (6) county area (Davis, Keokuk, Mahaska, Marion, Van Buren and Wapello). This fund balance reflects monies due to eligible housing repair/rehab. assistance recipients as well as project administration dollars provided by the State.

The deficit in the Hazard Mitigation Grant Program grew during FY 2009 as a result of costs incurred but not reimbursed by the three (3) project beneficiary counties of Jefferson, Keokuk and Mahaska.

Increases in the IDED Grant Program are a result of initiating new Iowa DED & locally funded projects. The increased fund balance is a result of pre-payment of 50% of the IDED grant funds as well as collection of the local match funds prior to expenditure of funds for the specific program activities.

Overall, the Commission's and its affiliate's funds rose only 2.0% as of June 30, 2009, in comparison to the balances as of June 30, 2008. This minimal increase is mostly attributable to normal cash flow activities.

Table 3 presents a summary of Commission fund revenues for the 2009 fiscal year and the amounts and percentages of increases and decreases in relation to the prior year.

TABLE 3
Total Governmental Fund Revenues

Revenue source	<u>2008</u>	<u>% of</u>	<u>2009</u>	<u>% of</u>	<u>Increase</u>	<u>Percent</u>
	<u>Amount</u>	<u>Total</u>	<u>Amount</u>	<u>Total</u>	<u>(Decrease)</u>	<u>Increase</u>
					<u>Over 2008</u>	<u>(Decrease)</u>
General Revenues	\$ 62,220	16.1%	\$ 54,106	5.4%	\$ (8,114)	- 13.0%
Charges for service	67,214	17.4%	52,532	5.2%	(14,682)	- 21.8%
Oper.Grants/Contributions & Restricted Int.	257,810	66.5%	403,668	40.1%	145,858	+ 56.6%
Capital Grants/Contrib. & Restricted Int.	<u>-0-</u>	<u>0.0%</u>	<u>495,469</u>	<u>49.3%</u>	<u>495,469</u>	<u>+100.0%</u>
TOTAL:	\$ 387,244	100.0%	\$1,005,775	100.0%	\$618,531	+159.7%

The 13.0% decrease in general revenues can be attributed to the economic recession which has reduced the demand for REDI business/industry loans as well as for AHEAD first-time homebuyer loan assistance. These factors, coupled with lower interest rates being paid on REDI, AHEAD and Area 15 RPC financial accounts, explains these revenue decreases.

Charges for service revenues decreased by 21.8% due to the RPC having to contract for outside services for housing specialist/inspection services and lead-based paint hazard reduction testing. Additionally, as a result of the successful completion of several administrative services contracts, the RPC recognized a decrease in revenue stream from these sources.

As a result of the 2008 Floods and the subsequent Federal Disaster Declarations, the RPC recognized an increase in Federal/State grant program funding. The RPC was awarded a \$140,000 EDA Disaster Recovery Planning grant as well as a one-time \$14,000 increase to the annual EDA Planning Partnership grant. This would account for the increase in the Operating Grants/Contributions/Restricted Interest revenue category.

The Capital Grants/Contributions/Restricted Interest revenue category increase reflects the Iowa Jumpstart Housing program funds that were received by the RPC from the State and directly distributed by Area 15 RPC to eligible homeowners for flood recovery housing repair/rehabilitation/replacement activities.

ECONOMIC FACTORS

A variety of economic factors affected decisions made by the Commission in setting its FY 2010 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 FY 2009. There is great opportunity for additional revenues during FY 2010 based upon grant applications for community infrastructure and facilities as well as disaster recovery financial assistance programs. Successful award of grant funds prior to June 30, 2010 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 FY 2010 budget amendment will most likely be necessary prior to the close of the 2010 fiscal year.

Based upon the current budget, the Commission is projecting to end FY 2010 with a fund balance of \$215,000.

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, 2009

Assets	
Cash and cash equivalents	\$ 913,890
Accounts receivable (Note 3)	127,584
Loans receivable, less allowance for loan losses of \$55,000 (Note 5)	721,832
Prepaid expenses	3,711
Capital assets (net of accumulated depreciation)	<u>56,236</u>
Total assets	<u><u>1,823,253</u></u>
 Liabilities	
Accounts payable	43,831
Accrued payroll and related taxes	11,575
Advanced payments - Membership Dues	3,105
Long - term liabilities:	
Portion due within one year:	
Capitalized lease obligations	1,714
Compensated absences payable	21,475
Portion due after one year:	
Capitalized lease obligations	<u>3,368</u>
Total liabilities	<u><u>85,068</u></u>
 Net Assets	
Invested in capital assets, net of related debt	51,154
Restricted for:	
Economic Development Administration - Revolving loan funds	1,064,012
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	153,879
Unrestricted	<u>265,252</u>
Total net assets	<u><u>\$ 1,738,185</u></u>

See notes to financial statements.

Area 15 Regional Planning Commission

Exhibit B

Statement of Activities

Year ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Operating	Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Expenses	Charges for Service			Governmental Activities
Functions / Programs:				
Governmental activities:				
Community and economic development	\$ 988,277	52,532	403,668	495,469
General Revenues:				
Unrestricted investment earnings				7,837
Local dues				46,269
Total general revenues				54,106
Change in net assets				17,498
Net assets beginning of year				1,720,687
Net assets end of year				\$ 1,738,185

See notes to financial statements.

Area 15 Regional Planning Commission

Exhibit C

Balance Sheet

June 30, 2009

	Special Revenue										Total
	Regional Economic Development Investments, Inc. Revolving Loan Fund	AHEAD, Inc. Fund	Administrative Contracts	Economic Development Administration Grant	Iowa Department of Transportation	Jumpstart Program	Hazard Mitigation Grant Program	IDED Grant Programs	Nonmajor Funds		
Assets											
Cash and cash equivalents	\$ 117,555	444,824	34,669	3,790	-	25,085	-	27,898	143,848		913,890
Accounts receivable	2,239	-	23,703	3,500	13,362	-	16,244	68,536	-		127,584
Loans receivable	-	629,138	-	-	-	-	-	-	6,457		721,832
Prepaid expenses	3,711	-	-	-	-	-	-	-	-		3,711
Due from other funds	32,337	-	-	-	-	-	-	-	-		32,337
Total assets	\$ 155,842	1,073,962	58,372	7,290	13,362	25,085	16,244	96,434	150,305		1,799,354

Liabilities and Fund Balances											
Liabilities:											
Accounts payable	\$ 1,668	6,100	6,300	2,000	500	5,763	-	15,500	-		43,831
Accrued payroll and related taxes	2,286	466	1,468	3,327	2,255	151	1,376	-	-		11,575
Due to other funds	-	3,384	-	-	10,607	-	14,867	-	-		32,337
Advanced payments - Membership Dues	3,105	-	-	-	-	-	-	-	-		3,105
Deferred revenue	2,239	-	16,318	-	-	-	16,244	2,250	-		37,051
Total liabilities	9,298	9,950	24,086	5,327	13,362	5,914	32,487	17,750	-		127,899
Fund balances:											
Unreserved:											
General fund	146,544	-	-	-	-	-	-	-	-		146,544
Special revenue funds	-	1,064,012	34,286	1,963	-	19,171	(16,243)	78,684	150,305		1,524,911
Total fund balances	146,544	1,064,012	34,286	1,963	-	19,171	(16,243)	78,684	150,305		1,671,455
Total liabilities and fund balances	\$ 155,842	1,073,962	58,372	7,290	13,362	25,085	16,244	96,434	150,305		1,799,354

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, 2009

Total governmental fund balances (page 16) \$ 1,671,455

*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. 37,051

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported as assets in the governmental funds. 56,236

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. (26,557)

Net assets of governmental activities (page 15) \$ 1,738,185

See notes to financial statements.

Area 15 Regional Planning Commission
Statement of Revenues, Expenditures and
Changes in Fund Balances

Exhibit E

Year ended June 30, 2009

	Special Revenue										Total
	General	Regional Economic Development Investments, Inc. Revolving Loan Fund	AHEAD, Inc. Fund	Administrative Contracts	Economic Development Administration Grant	Iowa Department of Transportation	Jumpstart Program	Hazard Mitigation Grant Program	IDED Grant Programs	Nonmajor Funds	
Revenues:											
Use of money and property	\$ 4,354	25,962	1,733	-	3,483	-	-	-	-	-	35,532
Interest income	-	-	-	-	-	-	-	-	-	-	-
Charges for service	-	447	198	-	-	-	-	-	-	-	645
Late payment fees and penalty	-	2,138	330	-	-	-	-	-	-	-	2,468
Loan origination fees	-	-	-	-	-	-	-	-	-	-	83,318
Contract administration	-	2,585	528	83,318	-	-	-	-	-	-	86,431
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-
Federal funds	-	-	-	-	69,077	70,339	-	27,263	-	11,495	178,174
State funds	-	-	-	-	9,412	-	514,640	3,635	92,911	-	620,598
Memberships dues and fees	46,269	-	-	-	-	-	-	-	-	-	46,269
	46,269	-	-	-	78,489	70,339	514,640	30,898	92,911	11,495	845,041
Miscellaneous	-	-	-	-	6,479	2,784	-	-	46,841	-	56,104
Total revenues	50,623	28,547	2,261	83,318	88,451	73,123	514,640	30,898	139,752	11,495	1,023,108
Expenditures:											
Operating:											
Community and economic development											
Personnel	3,170	6,728	4,806	35,756	74,973	45,671	5,541	28,447	-	-	205,092
Fringe benefits	1,122	3,052	2,741	10,399	23,042	11,251	1,312	6,373	-	-	59,292
Travel	95	59	5	1,180	3,506	1,119	-	1,359	-	-	7,323
Phone	-	95	284	111	411	1,163	-	167	-	-	2,231
Printing and postage	36	78	94	530	1,944	1,095	298	289	-	-	4,364
Supplies	-	-	-	-	1,592	-	-	-	-	-	1,592
Equipment	-	-	-	-	-	53	-	-	-	-	53
Contractual	40,225	5,834	2,610	37,144	2,075	550	-	94,426	-	-	182,864
Program	762	35	2,200	-	3,958	164	4,433	26	-	-	483,187
Other	64	598	320	3,676	5,841	4,346	698	1,847	-	-	11,578
Indirect costs	-	9,105	5,877	-	-	-	-	-	-	-	17,390
Administrative fees	-	-	-	-	-	-	-	-	-	-	14,982
Total expenditures	45,474	25,584	18,937	88,796	118,147	64,607	495,469	38,508	94,426	-	985,948
Excess (deficiency) of revenues over (under) expenditures	5,149	2,963	(16,676)	(5,478)	(29,696)	8,516	19,171	(7,610)	45,326	11,495	33,160
Other financing sources (uses)											
Operating transfers in	-	-	-	-	31,659	10,139	-	-	2,000	-	43,798
Operating transfers out	(41,798)	-	-	-	-	-	-	-	-	(2,000)	(43,798)
Total other financing sources (uses)	(41,798)	-	-	-	31,659	10,139	-	-	2,000	(2,000)	-
Net change in fund balances	(36,649)	2,963	(16,676)	(5,478)	1,963	18,655	19,171	(7,610)	47,326	9,495	33,160
Fund balances beginning of year	183,193	1,061,049	209,409	39,764	-	(18,655)	-	(8,633)	31,358	140,810	1,638,295
Fund balances end of year	\$ 146,544	1,064,012	192,733	34,286	1,963	-	19,171	(16,243)	78,684	150,305	1,671,455

See notes to financial statements

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, 2009

Net change in fund balances - Total governmental funds (page 18) \$ 33,160

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 were less than depreciation expense in the current year, as follows:

Expenditures of capital assets	\$ 1,960	
Depreciation expense	<u>(2,944)</u>	(984)

Certain accounts receivable not collected for several months after year end is not considered available revenue and is deferred in the governmental funds. (17,333)

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 repayments exceeded issues, as follows:

Issued	-	
Repaid	<u>1,750</u>	1,750

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. 905

Change in net assets of governmental activities (page 15) \$ 17,498

See notes to financial statements.

Area 15 Regional Planning Commission

Notes to Financial Statements

June 30, 2009

Note 1. Summary of Significant Accounting Policies

The Area 15 Regional Planning Commission (Commission) was created pursuant to Chapter 28H 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 6 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:

The General Fund is the general operating fund of the Commission. All receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From this fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid from other funds.

Special Revenue:

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.

Note 1. Summary of Significant Accounting Policies (continued)

Administrative Contracts – 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.

Economic Development Administration 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.

Jumpstart Program – This fund is used to account for monies received from the State of Iowa passed through the Commission and paid to individuals to assist in repairing/rehabilitation structural and related damage caused by severe storms or flooding during the June 2008 flood in 6 Southern Iowa disaster counties. These monies were to be used for housing repair/rehabilitation assistance, down payment assistance, and interim mortgage assistance.

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 Keokuk County, Jefferson County and Mahaska County, Iowa. This program is a multi-year program.

IDED Grant Programs – 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 Opportunity 2. These grant funds will be matched by Opportunity 2 to undertake various regional collaborative marketing programs. Both IDED and Opportunity 2 funds will be expended for collaborative marketing expenditures.

The Commission reports the following nonmajor governmental funds:

Special Revenue:

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 the final funds for this program received in fiscal year 2009.

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.

Note 1. Summary of Significant Accounting Policies (continued)

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 manufacturers in the area, and to promote the job opportunities which are available in the manufacturing industry. This fund was combined with the IDED Grant Programs fund in fiscal year 2010.

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 General Fund unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

Note 1. Summary of Significant Accounting Policies (continued)

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.

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, 2009.

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, 2009, 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.

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

The Commission's deposits in banks at June 30, 2009 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, 2009 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, 2009, 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, 2009 consist of the following:

<u>Source</u>	<u>Amount</u>
State of Iowa	\$ 71,898
City of Barnes City	2,632
City of Centerville	3,249
City of Keosauqua	6,066
City of Sigourney	7,792
City of Oskaloosa	3,006
City of South English	3,500
Jefferson County	2,860
Mahaska County	12,028
Keokuk County	1,356
Van Buren County	1,582
Various other cities, non-profits, and private businesses	11,615
	<u>\$ 127,584</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, 2009 is as follows:

<u>Receivable Funds</u>	<u>Payable Funds</u>	<u>Amount</u>
General	Special Revenue: Regional Economic Development Investments Inc. Revolving Loan Fund	\$ 3,384
	AHEAD, Inc. Fund	3,479
	Iowa Department of Transportation	10,607
	Hazard Mitigation Grant Program	<u>14,867</u>
		<u>\$ 32,337</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, 2009</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	10,000	60 monthly payments of \$184.17 including interest at 4%. Final payment due in May, 2009. This loan is currently delinquent.	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.	3,757
Loan #3	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.	9,117

Note 5.	Loans Receivable (continued)			Balance June 30, 2009
	<u>Original Amount</u>	<u>Repayment Terms</u>	<u>Security</u>	
Loan #4	\$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 #5	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.	15,901
Loan #6	125,000	60 monthly payments of \$2,302.07 including interest at 4%. Final payment due in July, 2010. During the fiscal year, loan terms were amended to 24 monthly payments of \$1,460.25 including interest at 4%. Final payment now is due in June 2011.	Security agreement on all machinery and equipment accounts receivable, inventory, and all other general intangibles. Personal guarantees from the loan principals.	30,926
Loan #7	10,000	60 monthly payments of \$188.71 including interest at 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.	3,959
Loan #8	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.	32,849
Loan #9	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

Note 5.	Loans Receivable (continued)			Balance June 30, 2009
	<u>Original Amount</u>	<u>Repayment Terms</u>	<u>Security</u>	
Loan #10	\$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.	\$49,776
Loan #11	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.	40,882
Loan #12	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.	41,372
Loan #13	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.	74,260
Loan #14	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.	49,167
Loan #15	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.	51,509

Note 5. Loans Receivable (continued)

	<u>Original Amount</u>	<u>Repayment Terms</u>	<u>Security</u>	Balance June 30, 2009
Loan #16	\$127,500	60 monthly payments of \$2,406.08 including interest at 4%. Final payment due in June 2014.	Security agreement on all inventory, accounts receivable, equipment, all other general intangibles, as well as specific equipment. Personal guarantee of the loan principals.	\$127,500
<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>				80,308
Subtotal				776,832
Less allowance for loan losses				<u>55,000</u>
Total				<u>\$721,832</u>

Note 6. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: IDED Grant Programs	Special Revenue: SE Iowa Manufacturing Consortium	<u>\$ 2,000</u>
Special Revenue: Economic Development Administration Grant		31,659
Iowa Department of Transportation	General	<u>10,139</u>
		<u>41,798</u>
Total		<u>\$ 43,798</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, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets				
Equipment	\$ 37,622	-	5,162	32,460
Real estate	44,061	1,960	-	46,021
Total capital assets	<u>81,683</u>	<u>1,960</u>	<u>5,162</u>	<u>78,481</u>
Less accumulated depreciation				
Equipment	<u>24,463</u>	<u>2,944</u>	<u>5,162</u>	<u>22,245</u>
Total capital assets depreciated, net	<u>\$ 57,220</u>	<u>(984)</u>	<u>-</u>	<u>56,236</u>

Depreciation expense for the year totaled \$2,944.

Note 8. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Capitalized lease obligations	\$ 6,832	-	1,750	5,082	1,714
Compensated absences	22,380	21,475	22,380	21,475	21,475
Total	\$ 29,212	21,475	24,130	26,557	23,189

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
2010	\$ 1,931
2011	1,931
2012	1,440
Total	5,302
 Less amount attributable to interest	 <u>220</u>
 Present value of minimum lease payments	 <u>\$ 5,082</u>

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, 2009, totaled \$1,931.

Note 9. Operating Lease

The Commission has an operating lease for the rental of 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, 2009.

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 4.10% of their annual covered salary and the Commission is required to contribute 6.35% of covered salary. Contribution requirements are established by State statute. The Commission's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$12,731, \$11,383 and \$9,862 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 Balance

At June 30, 2009, the Commission had a deficit fund balance of \$16,243 in the Special Revenue – Hazard Mitigation Grant Program Fund.

This deficit will be eliminated once the accounts receivables are collected in September, 2009 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 several 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.

The Regional Economic Development Investments, Inc. is the defendant in a lawsuit relating to the return of funds to one of its members. The possibility, and amount of loss, if any, is undeterminable.

Note 15. Restatement

The Local Programs/ Special Projects Fund in fiscal year 2008 was renamed the General Fund in fiscal year 2009. The Community Development Block Grant Fund in fiscal year 2008 was renamed the Administrative Contracts Fund in fiscal year 2009. The Collaborative Marketing Program Fund in fiscal year 2008 was renamed the IDED Grant Programs Fund in fiscal year 2009.

Other Supplementary Information

Area 15 Regional Planning Commission

Schedule 1

Combining Balance Sheet
Nonmajor Funds

June 30, 2009

	Special Revenue			Total
	Housing Partnership Fund	Housing Fund	Local Housing Assistance Program	
Assets				
Cash and cash equivalents	\$ 34,739	25,824	83,285	143,848
Loans receivable	6,457	-	-	6,457
Total assets	\$ 41,196	25,824	83,285	150,305
Liabilities and Fund Balances				
Liabilities:	\$ -	-	-	-
Fund equity:				
Fund balances				
Unreserved:				
Special revenue funds	41,196	25,824	83,285	150,305
Total fund balances	41,196	25,824	83,285	150,305
Total liabilities and fund balances	\$ 41,196	25,824	83,285	150,305

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, 2009

	Special Revenue					Total
	Pre-Disaster Mitigation Program	Housing Partnership Fund	Housing Fund	Local Housing Assistance Program	SE Iowa Manufacturing Consortium	
Revenues:						
Intergovernmental						
Federal funds	\$ 11,495	-	-	-	-	11,495
Total revenues	11,495	-	-	-	-	11,495
Expenditures:						
Operating						
Community and economic development	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	11,495	-	-	-	-	11,495
Other financing sources (uses):						
Operating transfers out	-	-	-	-	(2,000)	(2,000)
Total other financing sources (uses)	-	-	-	-	(2,000)	(2,000)
Net change in fund balances	11,495	-	-	-	(2,000)	9,495
Fund balances beginning of year	(11,495)	41,196	25,824	83,285	2,000	140,810
Fund balances end of year	\$ -	41,196	25,824	83,285	-	150,305

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 Six Years

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
Revenues:						
Use of money and property	\$ 35,532	49,905	55,128	45,083	35,362	37,317
Charges for service	86,431	58,423	80,350	121,005	123,320	92,106
Intergovernmental	845,041	195,415	178,244	173,966	171,466	207,080
Miscellaneous	56,104	29,117	39,092	8,940	4,665	30,862
Total	<u>\$1,023,108</u>	<u>332,860</u>	<u>352,814</u>	<u>348,994</u>	<u>334,813</u>	<u>367,365</u>
Expenditures:						
Operating:						
Community and economic development	\$ 989,948	387,395	323,711	368,947	373,073	442,097
	<u>\$ 989,948</u>	<u>387,395</u>	<u>323,711</u>	<u>368,947</u>	<u>373,073</u>	<u>442,097</u>

See accompanying independent auditor's report.

Area 15 Regional Planning Commission
Schedule of Expenditures of Federal Awards
Year ended June 30, 2009

Schedule 4

Grantor/Program	CFDA Number	Agency or Pass-Through Number	Program Expenditures
Direct -			
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	848,563
Economic Adjustment Disaster Recovery	11.307	05-69-04689	16,114
			<u>864,677</u>
Total direct			<u>915,677</u>
Indirect -			
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	88,796
U.S. Federal Transit Administration -			
Iowa Department of Transportation -			
Federal Transit Metropolitan Planning Grants	20.505	09-RPA-15	35,455
Formula Grants For Other Than Urbanized Areas	20.509	09-RPA-15	16,229
U.S. Department of Homeland Security -			
Passed through Iowa Homeland Security and Emergency Management Division and Keokuk County Board of Supervisors -			
Hazard Mitigation Grant	97.039	FEMA-1763-DR-IA	1,196
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-IA	32,781
			<u>33,977</u>
Total indirect			<u>174,457</u>
		Total	<u>\$ 1,090,134</u>

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, 2009 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.

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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, 2009, 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 4, 2010. 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 II-A-09 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, 2009 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 & Co., LLP
Certified Public Accountants

January 4, 2010

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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, 2009. 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, 2009.

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-09 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 & Co., LLP
Certified Public Accountants

January 4, 2010

Area 15 Regional Planning Commission
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

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/Economic Adjustment Disaster Recovery.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Area 15 Regional Planning Commission did not qualify as a low-risk auditee.

Area 15 Regional Planning Commission
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCY:

II-A-09 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, 2009 totaled \$34,286. 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 \$34,286 at June 30, 2009.

Response – Beginning July 1, 2008 (FY08/09) the Area 15 RPC, in consultation with its CPA firm, reviewed and adopted an annual rate to support actual costs for Administrative Contract services. This annual rate will be reviewed and revised (if appropriate) for each successive fiscal year. Additionally, as a result of the issuance of reports by the State Auditor's Office on several other Council of Governments (COG) organizations regarding actual CDBG Administrative costs, the Area 15 RPC is working with the state-wide COG organization, Iowa Association of Regional Councils (IARC), to resolve these matters with the Iowa Department of Economic Development (IDED). Likewise, the Area 15 RPC continues to have on-going communication, dialog and administrative guidance discussions with the appropriate IDED division staff.

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, 2009

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NONCOMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCY:

**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-09 Monitoring of Loans – Although the loan monitoring was improved during the year, documentation such as 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 – REDI continues to work on receiving loan documentation such as employment reports and financial statements. REDI borrowers are continuously reminded and requested to submit required quarterly and annual documents but we have very little leverage in demanding these documents, short of “calling” the loan for non-compliance.

Conclusion – Response accepted.

Area 15 Regional Planning Commission
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-09 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-B-09 Travel Expense – No expenditures of Commission money for travel expenses of spouses of Commission officials or employees were noted.

IV-C-09 Business Transactions – No business transactions between the Commission and Commission officials or employees were noted.

IV-D-09 Board Minutes – Transactions were found that we believe should have been approved in the Board minutes but were not. It appears one months of bills were not approved by the Board or published, as required by Chapter 28 of the Code of Iowa. The vote of each member was not consistently documented in the Board minutes, as required by Chapter 21.3 of the Code of Iowa.

Recommendation – The Commission implement procedures to ensure all Board minutes and related schedule of bills allowed are published and that the vote of each member is documented in the Board minutes, as required by the Code of Iowa.

Response – We will implement this recommendation.

Conclusion – Response accepted.

IV-E-09 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, 2009

IV-F-09 Financial Condition - The Special Revenue -- Hazard Mitigation Grant Program Fund had a deficit balance at June 30, 2009.

Recommendation -- The Commission should monitor this fund in order to eliminate the deficit.

Response -- The deficit balance was eliminated from the collection of accounts receivables. These accounts receivables were collected in fiscal year 2010.

Conclusion -- Response accepted.

IV-G-09 Compliance Issues -- One instance was noted where there was no proof that AHEAD, Inc. was included as a loss payee on the individual's insurance policy, even though it is required by the loan agreement.

In regards to the State of Iowa Jumpstart Program, as administered by the Commission, the following concerns were noted:

- a) In one instance, there was no indication that the Commission was included as a loss payee on the homeowner's insurance policy.
- b) In one instance, documentation was not available to determine how the Commission arrived at the amount to pay a homeowner.
- c) The Commission's administrative plan indicated that a homeowner would not be reimbursed for their own labor. However, in one instance it appeared that a company owned by the homeowner billed the Commission for labor and materials used on his own house.
- d) The Commission did not perform any inspections of the completed work. However, inspections are required when certain pre-defined criteria are met according to the Commission's administrative plan.

Recommendation -- The Commission ensure that all requirements of the loan agreements between AHEAD, Inc. and the individuals are followed. In relation to the Jumpstart Program, the Commission should review all of the above issues and concerns and take action as necessary.

Response -- We will review the above issues and take appropriate action.

Conclusion -- Response accepted.

Area 15 Regional Planning Commission
Corrective Action Plan for Federal Audit Findings
Year Ended June 30, 2009

Comment Number	Comment Title	Corrective Action Plan	Contact Person, Title, Phone Number	Anticipated Date of Completion
III-A-09	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, 2009

Comment Reference	Comment Title	Status	If not corrected, planned corrective action or other explanation
III-A-08	Monitoring of Loans	Not corrected	In the process of implementation