

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, 2012

Peak & Co., LLP  
Certified Public Accountants  
1370 NW 114<sup>th</sup> St., Suite 205  
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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, the discretely presented component unit, each major fund and the aggregate remaining fund information of Area 15 Regional Planning Commission (Commission), Ottumwa, Iowa, as of and for the year ended June 30, 2012, 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 management. 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Area 15 Regional Planning Commission at June 30, 2012, 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 April 1, 2013, 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 assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 11 and page 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 3, 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Peak & Co., LLP*

Peak & Co., LLP  
Certified Public Accountants

April 1, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Area 15 Regional Planning Commission (Commission) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the Commission's financial statements, which immediately follow this section.

### **2012 FINANCIAL HIGHLIGHTS**

- Revenues of the Commission's government fund activities decreased 45% or approximately \$413,600 from fiscal year 2011 to fiscal year 2012. The decrease was mainly the result of closing out administrative contracts for water/sewer/community facility projects, disaster recovery projects and the "*Iowans Helping Iowans*" 2010 flood recovery housing program.
- Program expenses decreased 27% or approximately \$ 211,400 in fiscal year 2012 as compared to fiscal year 2011. Close-out of providing housing funds through the "*Iowans Helping Iowans*" 2010 flood recovery housing program provided these cost reductions for Area 15 RPC.
- The Commission's net assets decreased 32.1%, or approximately \$588,700, from June 30, 2011 to June 30, 2012.

### **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the Area 15 Regional Planning Commission as a whole and represent an overall view of the Commission's finances.

The 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 Area 15 Regional Planning Commission's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statement provides financial information about activities for which the Commission acts solely as an agent or custodian for the benefit of those outside of the Commission.

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

Required Supplementary Information presents the Schedule of Funding Progress for the Retiree Health Plan.

Area 15 Regional Planning Commission is not required to present budgetary comparison information because the Commission is not required by the Code of Iowa to adopt a legally binding budget.

The Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the Area 15 Regional Planning Commission.

## **REPORTING THE COMMISSION'S FINANCIAL ACTIVITIES**

### ***Government-wide Financial Statements***

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 which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents the Commission's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the Commission's net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Activities presents information showing how the Commission's net assets changed during the most recent fiscal year. All changes in net assets are reported when the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Commission's governmental activities presented in the Statement of Net Assets and the Statement of Activities include regional planning assistance, grant writing and revolving loan administration along with other assistance provided on an as needed basis. State and federal grants finance most of these activities.

### ***Fund Financial Statements***

The fund financial statements provide more detailed information about the Commission's funds, focusing on its most significant or "major" funds – not the Commission as a whole. Funds are accounting devices the Commission uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The Commission established other funds to control and manage money for particular purposes.

The Commission has two kinds of funds:

- 1) *Governmental Funds*: The Commission's governmental fund accounts for the Commission's basic services. It focuses on how cash and other financial assets that can be readily converted to cash flow in and out, and the balances left at year-end that are available for spending. The governmental funds are the General Fund and the Regional Economic Development Investments, Inc. Revolving Loan Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The governmental fund financial statements provide a detailed, short-term view of the Commission's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Commission's services and programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Fiduciary Fund*: The Commission is the trustee, or fiduciary, for assets that belong to others. This fund is the Agency Fund. In this fund, the Commission acts as a fiscal agent for the collection of outside donations.

The District is responsible for ensuring the assets reported in the fiduciary fund are used only for their intended purposes and by those to whom the assets belong. The Commission excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statement for the fiduciary fund consist of a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the fund financial statement follow the fund financial statements.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indication of financial position. Area 15 Regional Planning Commission's combined net assets decreased from a year ago, from \$1,835,400 to \$1,246,800. The decrease resulted from closing out several administrative contract programs for community infrastructure projects.

The following is a summary of the Commission's net assets at June 30, 2012 compared to June 30, 2011.

Combined Statement of Net Assets  
(Expressed in Thousands)

	June 30, 2012	June 30, 2011	Total Change June 30, 2011-2012
Cash & equivalents	\$ 1049.2	\$ 1351.0	- 22.3%
Accounts Rec.	51.2	77.8	-34.2%
Loans Rec.	189.3	407.5	-53.5%
Prepaid Exp.	5.7	6.8	-16.2%
Capital assets	6.9	60.9	-88.7%
<b>TOTAL ASSETS</b>	<b>\$ 1302.3</b>	<b>\$ 1904.0</b>	<b>-31.6%</b>
Accounts payable	\$ 0.8	\$ 24.8	-96.8%
Accrued liabilities	16.0	4.9	+226.5%
Advanced payments	3.2	3.2	0.0%
Long - Term liabilities	35.5	35.7	- 0.6%
<b>TOTAL LIABILITIES</b>	<b>\$ 55.5</b>	<b>\$ 68.6</b>	<b>- 19.1%</b>
Net Assets:			
Invested in capital assets	\$ 6.9	\$ 59.8	-88.5%
Restricted	1119.8	1649.5	-32.1%
Unrestricted	120.1	126.1	- 4.8%
<b>TOTAL NET ASSETS</b>	<b>\$ 1246.8</b>	<b>\$1835.4</b>	<b>-32.1%</b>

The Commission's combined net assets decreased by 32.1% or approximately \$588,600, from the prior year.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The Commission's restricted net assets decreased approximately \$529,700, or 32.1%, under the prior year. The decrease was primarily due to the reclassification of the AHEAD, Inc. Funds from a blended component unit in fiscal year 2011 to a discretely presented component unit in fiscal year 2012. This change in component unit classification was the result of implementation of GASB Statement No. 61, as explained in note 15 to the financial statements.

Unrestricted net assets – the part of net assets that can be used to finance day to day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased approximately \$6,000, or 4.8%.

The following shows the changes in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

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Changes in Net Assets

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	<u>Year ended June 30,</u>		<u>Total Change</u>
	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>
<b>Revenues:</b>			
<u>Program revenues:</u>			
Charges for service	\$ 130,216	\$ 79,544	+63.7%
Operating grants, contributions and restricted interest	254,429	647,270	-60.7%
Capital grants, contributions and restricted Interest	76,078	174,154	-56.3%
<u>General revenues:</u>			
Local dues	41,478	40,928	+1.3%
Unrestricted investment earnings	3,414	4,833	-29.4%
Return of equity	-	(27,500)	+100.0%
Total revenues	<u>\$ 505,615</u>	<u>\$ 919,229</u>	<u>-45.0%</u>
<b>Program expenses:</b>			
Community and economic development	<u>\$ 571,406</u>	<u>\$ 782,851</u>	<u>-27.0%</u>
Increase (decrease) in net assets	(65,791)	136,378	-148.2%
Net assets beginning of year (2012 restated)	<u>1,312,603</u>	<u>1,699,093</u>	<u>-22.7%</u>
Net assets end of year	<u>\$1,246,812</u>	<u>\$1,835,471</u>	<u>-32.1%</u>

The cost of all activities this year was \$571,406 compared to \$782,851 last year. These costs were entirely financed by those who directly benefited from the programs and grants from the federal and state government. Overall the Commission's revenues, including intergovernmental aid and fees for services decreased in 2012 by \$413,614, or 45.0%. This decrease was due mainly to close-out of CDBG administrative and disaster recovery projects as well as the "Iowans Helping Iowans" 2010 housing flood recovery program.

### INDIVIDUAL FUND ANALYSIS

As previously noted, Area 15 Regional Planning Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the Commission as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,267,652, well below last year's ending fund balances of \$1,756,833. However, the primary reason for the decrease in combined fund balances at the end of fiscal year 2012 is due to the reclassification of the AHEAD, Inc. Funds from a blended component unit in fiscal year 2011 to a discretely presented component unit in fiscal year 2012. This change in component unit classification was the result of implementation of GASB Statement No. 61, as explained in note 15 to the financial statements.

## **Governmental Fund Highlights**

- The General Fund balance increased from \$144,680 to \$318,194. This increase was primarily due to reclassification of the beginning fund balances at July 1, 2011, to more appropriately reflect the nature and purposes of the funds. See additional discussion about this reclassification in Note 15 to the financial statements.
- The Regional Economic Development Investments, Inc. Revolving Loan Fund balance decreased from \$985,363 at the end of fiscal year 2011 to \$949,458 at the end of fiscal year 2012. This decrease is due the write off of bad debt during fiscal year 2012.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2012, the Commission had \$6,872 invested, net of accumulated depreciation, in equipment. This represents a net decrease of 88.7% from last year. More detailed information about the Commission's capital assets is presented in note 6 to the financial statements. Depreciation expense for the year was \$4,519.

The original cost of the Commission's capital assets was \$38,515. The significant decrease in capital assets is due to the reclassification of the AHEAD, Inc. Funds from a blended component unit in fiscal year 2011 to a discretely presented component unit in fiscal year 2012. This change in component unit classification was the result of implementation of GASB Statement No. 61, as explained in note 15 to the financial statements.

### **Long-Term Liabilities**

At June 30, 2012, the Commission had \$35,515 in total long-term liabilities outstanding. This represents a net decrease of .4% from last year. More detailed information about the Commission's long-term liabilities is presented in Note 7 to the financial statements.

The Commission's long-term liabilities at June 30, 2012 consisted of compensated absences and Net OPEB liability.

## **ECONOMIC FACTORS BEARING ON THE COMMISSION'S FUTURE**

The Area 15 Regional Planning Commission's Executive Committee considered various factors when setting the fiscal year 2013 budget and fees that will be charged for agency activities. Area 15 RPC general fund operations are expected to remain consistent with the previous year. Federal and state capital and operating grants are expected to tighten moving forward due to budget concerns.

## **CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Area 15 Regional Planning Commission's finances and to show the Commission's accountability for the money it receives. If you have any questions or need additional financial information, please contact the Area 15 Regional Planning Commission, 651 Indian Hills Drive – Building 17, P. O. Box 1110, Ottumwa, Iowa 52501.

Basic Financial Statements

Area 15 Regional Planning Commission

Exhibit A

Statement of Net Assets

June 30, 2012

	<u>Primary Government Governmental Activities</u>	<u>Component Unit AHEAD, Inc.</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,049,208	288,228
Accounts receivable (Note 3)	51,247	-
Loans receivable, less allowance for loan losses (Note 5)	189,263	139,666
Prepaid expenses	5,744	-
Capital assets (net of accumulated depreciation)	<u>6,872</u>	<u>37,648</u>
<b>Total assets</b>	<u>1,302,334</u>	<u>465,542</u>
<b>Liabilities</b>		
Accounts payable	803	7,567
Accrued payroll and related taxes	15,988	-
Advanced payments - membership dues	3,216	-
Long - term liabilities:		
Portion due within one year:		
Compensated absences payable	30,830	-
Portion due after one year:		
Net OPEB liability	<u>4,685</u>	<u>-</u>
<b>Total liabilities</b>	<u>55,522</u>	<u>7,567</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	6,872	37,648
Restricted for:		
Loan purposes	955,915	157,682
Housing purposes	104,864	262,645
Marketing purposes	5,287	-
Other purposes	53,734	-
Unrestricted	<u>120,140</u>	<u>-</u>
<b>Total net assets</b>	<u>\$ 1,246,812</u>	<u>457,975</u>

See notes to financial statements.

Area 15 Regional Planning Commission

Exhibit B

Statement of Activities

Year ended June 30, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government	Component Unit
<b>Functions / Programs:</b>						
<b>Primary Government:</b>						
Governmental activities:						
Community and economic development	\$ 571,406	130,216	254,429	76,078	(110,683)	-
<b>Total Primary Government</b>	<b>\$ 571,406</b>	<b>130,216</b>	<b>254,429</b>	<b>76,078</b>	<b>(110,683)</b>	<b>-</b>
<b>Component Unit:</b>						
AHEAD, Inc.	\$ 82,667	-	17,773	-	-	(64,894)
<b>General Revenues:</b>						
Unrestricted investment earnings					\$ 3,414	-
Local dues					41,478	-
Total general revenues					44,892	-
Change in net assets					(65,791)	(64,894)
Net assets beginning of year, as restated					1,312,603	522,869
Net assets end of year					\$ 1,246,812	457,975

See notes to financial statements.

## Balance Sheet

June 30, 2012

	Special Revenue		
	General	Regional Economic Development Investments, Inc. Revolving Loan Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 279,083	770,125	1,049,208
Accounts receivable	51,247	-	51,247
Loans receivable	6,457	182,806	189,263
Prepaid expenses	5,744	-	5,744
Due from other funds	3,473	-	3,473
<b>Total assets</b>	\$ 346,004	952,931	1,298,935
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 803	-	803
Accrued payroll and related taxes	15,988	-	15,988
Due to other funds	-	3,473	3,473
Advanced payments - membership dues	3,216	-	3,216
Deferred revenue	7,803	-	7,803
<b>Total liabilities</b>	27,810	3,473	31,283
Fund balances:			
Nonspendable:			
Loans receivable	6,457	182,806	189,263
Prepaid expenses	5,744	-	5,744
Restricted for:			
Loan purposes	-	766,652	766,652
Housing purposes	104,864	-	104,864
Marketing purposes	5,287	-	5,287
Other purposes	51,054	-	51,054
Unassigned	144,788	-	144,788
<b>Total fund balances</b>	318,194	949,458	1,267,652
<b>Total liabilities and fund balances</b>	\$ 346,004	952,931	1,298,935

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, 2012

<b>Total governmental fund balances (page 15)</b>	\$ 1,267,652
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Certain assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	7,803
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,872
Long - term liabilities , including compensated absences payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(35,515)</u>
<b>Net assets of governmental activities (page 13)</b>	<u><u>\$ 1,246,812</u></u>

See notes to financial statements.

Statement of Revenues, Expenditures and  
Changes in Fund Balances

Year ended June 30, 2012

	General	Special Revenue Regional Economic Development Investments, Inc. Revolving Loan Fund	Total
Revenues:			
Use of money and property:			
Interest income	\$ 3,414	14,145	17,559
Charges for service:			
Late payment fees and penalty	-	1,653	1,653
Loan origination fees	-	225	225
Contract administration	138,796	-	138,796
	138,796	1,878	140,674
Intergovernmental:			
Federal funds	179,708	-	179,708
State funds	117,680	-	117,680
Memberships dues and fees	41,478	-	41,478
	338,866	-	338,866
Miscellaneous	54,145	-	54,145
Total revenues	535,221	16,023	551,244
Expenditures:			
Operating:			
Community and economic development			
Personnel	226,818	7,546	234,364
Fringe benefits	65,892	1,700	67,592
Travel	6,536	50	6,586
Phone	1,825	128	1,953
Printing and postage	3,612	140	3,752
Supplies	2,812	-	2,812
Equipment	102	200	302
Contractual	66,082	3,818	69,900
Program	102,088	-	102,088
Other	16,087	760	16,847
Interest	-	889	889
Bad debt	-	35,849	35,849
Indirect costs	23,253	848	24,101
Total expenditures	515,107	51,928	567,035
Net change in fund balances	20,114	(35,905)	(15,791)
Fund balances beginning of year, as restated	298,080	985,363	1,283,443
Fund balances end of year	\$ 318,194	949,458	1,267,652

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, 2012

**Net change in fund balances - Total governmental funds (page 17)** **\$ (15,791)**

*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	\$ -	
Depreciation expense	<u>(4,519)</u>	(4,519)

Certain accounts receivable not collected for several months after year end is not considered available revenue and is deferred in the governmental funds. (45,630)

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>1,029</u>	1,029

Some 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, as follows:

Compensated absences	(1,195)	
Other postemployment benefits	<u>315</u>	<u>(880)</u>

**Change in net assets of governmental activities (page 14)** **\$ (65,791)**

See notes to financial statements.

Area 15 Regional Planning Commission  
Statement of Fiduciary Assets and Liabilities  
Agency Fund  
June 30, 2012

Exhibit G

**Assets**

Cash and cash equivalents	<u>\$ 367</u>
<b>Total assets</b>	<u>367</u>

**Liabilities**

Due to other governments	<u>367</u>
<b>Total liabilities</b>	<u>367</u>

<b>Net Assets</b>	<u><u>\$ -</u></u>
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See notes to financial statements.

Area 15 Regional Planning Commission

Notes to Financial Statements

June 30, 2012

Note 1. Summary of Significant Accounting Policies

The Area 15 Regional Planning Commission (Commission) was created pursuant to Chapter 28E 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 six identified counties (Davis, Jefferson, Keokuk, Mahaska, Van Buren and Wapello) 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 Unit – The Regional Economic Development Investments, Inc. has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to provide loans to area businesses. The Commission's Executive Board is also the Board of Regional Economic Development Investments, Inc., and the Commission can impose its will on Regional Economic Development Investments, Inc. In accordance with the criteria set forth by the Governmental Accounting Standards Board, the Regional Economic Development Investments, Inc. meets the definition of component units which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the Commission.

Discretely Presented Component Unit – AHEAD, Inc. has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to provide housing related services to residents of the area. The Commission has assumed the obligation to provide financial support to AHEAD, Inc. In accordance with criteria set forth by the Governmental Accounting Standards Board, AHEAD, Inc. meets the definition of a component unit which should be discretely presented.

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 the following 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 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 and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major governmental funds are reported as separate columns in the fund financial statements.

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:

The Regional Economic Development Investments, Inc. - Revolving Loan Fund is used to account for the revolving loan fund revenues and expenditures. The Regional Economic Development Investments, Inc. is a blended component unit of the Commission.

The Commission also reports fiduciary funds which focus on net assets and changes in net assets. The Commission’s fiduciary funds include the following:

The Agency Fund is used to account for assets held by the Commission as an agent for other organizations and governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund 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 judgments 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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the Commission's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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. 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, furniture 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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, 2012.

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, 2012, 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, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

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 are 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

Primary Government:

The Commission's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance, by other 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.

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

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 Commission.

The Commission had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statements No. 3, as amended by Statement No. 40.

Blended Component Unit:

At June 30, 2012, 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.

Discretely Presented Component Unit:

At June 30, 2012, deposits held by AHEAD, Inc. were covered by federal depository insurance or by other insurance. However, at times during the fiscal year, deposits held by AHEAD, Inc. were not entirely covered by federal depository insurance, other insurance or collateral.

Note 3. Accounts Receivable

Amounts shown as accounts receivable at June 30, 2012 consist of the following:

<u>Source</u>	<u>Amount</u>
State of Iowa	\$ 18,227
Iowa Association of Regional Councils	8,391
City of Centerville	5,950
City of Bloomfield	1,519
City of Birmingham	1,328
City of Fremont	1,558
City of Blakesburg	1,417
City of South English	1,087
Davis County	1,145
Keokuk County	2,597
AHEAD, Inc.	4,653
Various other cities	3,375
	<u>          </u>
	<u>\$ 51,247</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, 2012 is as follows:

Receivable Funds	Payable Funds	Amount
General	Special Revenue: Regional Economic Development Investments Inc. Revolving Loan Fund	<u>\$ 3,473</u>

The above represents transactions in the normal course of operations.

Note 5. Loans Receivable

Primary Government and Blended Component Unit:

The following 12 loans represent loans made by Regional Economic Development Investments, Inc. with funds received by the Commission, as obtained from the U.S. Department of Commerce – Economic Development Administration from the Economic Adjustment Assistance grant program. In addition, local match money was required to be provided and was combined with this grant program. These grant and local match monies are used to make loans to businesses. Loans are subject to guidelines provided by the federal granting agency and must stimulate the economy and encourage job creation.

Loans receivable are described below:

	Original Amount	Repayment Terms	Security	Balance June 30, 2012
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.	\$10,656
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.	3,052
Loan #3	125,000	60 monthly payments of \$209.86 including interest at 5%. Final payment due in March, 2015. The terms of this loan were modified during fiscal year 2010.	Security agreement on machinery, inventory, accounts receivable, and all other general intangibles. Also, mortgage on real estate. Personal guarantee from the owners.	7,682
Loan #4	75,000	60 monthly payments of \$1,415.34 including interest at 5%. Final payment due in July, 2011. This loan is currently delinquent.	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)

	<u>Original Amount</u>	<u>Repayment Terms</u>	<u>Security</u>	<u>Balance June 30, 2012</u>
Loan #5	\$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.	\$2,344
Loan #6	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.	13,119
Loan #7	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.	12,973
Loan #8	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.	54,844
Loan #9	75,000	60 monthly payments of \$1,415.34 including interest at 5%. Final payment due in September, 2014.	Security agreement on patent, contracts, and all other general intangibles. Second mortgage on real estate. Personal guarantee of the loan principals.	36,072
Loan #10	7,000	60 monthly payments of \$132.10, including interest at 5%. Final payment due in April, 2015.	Security agreement on all inventory, accounts receivable, equipment, all other general intangibles, as well as specific equipment. Personal guarantee of owner.	6,995
Loan #11	15,000	60 monthly payments of \$283.07, including interest at 5%. Final payment due in December, 2015.	Security agreement on all inventory, accounts receivable equipment, all other general intangibles, as well as specific equipment, Personal guarantee of owners.	10,886

Note 5. Loans Receivable (continued)

	<u>Original Amount</u>	<u>Repayment Terms</u>	<u>Security</u>	<u>Balance June 30, 2012</u>
Loan #12	\$15,000	60 monthly payments of \$283.07 including interest at 5%. Final payment due in July, 2017.	Security agreement on all machinery, inventory, accounts receivable, all other general intangibles, as well as specific equipment. Also, mortgage on real estate. Personal guarantee from the owners.	\$15,000
<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 balance is paid off, the Commission holds a second mortgage on the real estate.</p>				6,457
		Subtotal		\$247,263
		Less allowance for loan losses		<u>(58,000)</u>
		Total		<u>\$189,263</u>
 Discretely Presented Component Unit:				
<p>AHEAD, Inc. has established a revolving loan fund with funds received from the Iowa Department of Economic Development – Local Housing Assistance Program and 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, AHEAD, Inc. holds a second mortgage on the real estate.</p>				\$76,989
<p>AHEAD, Inc. has established a revolving loan fund with funds received from the Iowa Finance Authority for a regional housing trust fund program. In addition, local funds were required to be provided and was combined with this program. A maximum payment of \$7,500 for qualified homeowners to be used for owner-occupied rehabilitation will be made to qualified individuals. The loans either carry a term of 5 years at an interest rate of 0%, 1%, or 2%, depending on income, or are deferred until the home is no longer used as the homeowners primary residence. If repayment is required, repayments of the loans are due monthly. Until the loan balance is paid off, AHEAD, Inc. holds a deed restriction on the real estate.</p>				72,677
		Subtotal		\$149,666
		Less allowance for loan losses		<u>(10,000)</u>
		Total		<u>\$139,666</u>

Note 6. Capital Assets

Primary Government:

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets				
Equipment	\$ 38,515	-	-	38,515
Less accumulated depreciation				
Equipment	27,124	4,519	-	31,643
Total capital assets depreciated, net	<u>\$ 11,391</u>	<u>(4,519)</u>	<u>-</u>	<u>6,872</u>

Depreciation expense for the year totaled \$4,519.

Discretely Presented Component Unit:

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets				
Land	\$ 49,478	905	12,735	37,648
Total capital assets	<u>\$ 49,478</u>	<u>905</u>	<u>12,735</u>	<u>37,648</u>

The land is not a depreciable asset.

Note 7. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Capitalized lease obligations	\$ 1,029	-	1,029	-	-
Compensated absences	29,635	30,830	29,635	30,830	30,830
Net OPEB liability	5,000	-	315	4,685	-
Total	<u>\$ 35,664</u>	<u>30,830</u>	<u>30,979</u>	<u>35,515</u>	<u>30,830</u>

Capitalized Lease Obligation

The Commission had entered into a capital lease for the purchase of office equipment. The assets have been capitalized at cost. Payments made under the capitalized lease obligation for the year ended June 30, 2012, totaled \$1,044. At June 30, 2012, the balance owed on this lease was \$0.

Note 8. Operating Leases

The Commission has an operating lease for the rental of office space and an operating lease for the rental of a postage machine. The office space lease is cancelable with sixty days written notice. Office space rental expense totaled \$10,994 for the year ended June 30, 2012. Postage machine rental expense totaled \$660 for the year ended June 30, 2012. Future minimum lease payments in relation to the postage machine lease are as follows:

Year Ended June 30 -	Amount
2013	\$ 660
2014	660
2015	330
Total	<u>\$ 1,650</u>

Note 9. 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 5.38% of their annual covered salary and the Commission is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The Commission's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$19,646, \$17,841 and \$16,108 respectively, equal to the required contributions for each year.

Note 10. Other Postemployment Benefits

Plan Description - The Commission operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees and retirees and their spouses. There are 5 active and 0 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Assurant Health. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the Commission. The Commission currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The Commission's annual OPEB cost is calculated based on the annual required contribution (ARC) of the Commission, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Commission's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the Commission's net OPEB obligation:

Note 10. Other Postemployment Benefits (continued)

Annual required contribution	\$5,000
Interest on net OPEB obligation	225
Adjustment to annual required contribution	<u>(540)</u>
Annual OPEB cost	4,685
Contributions made	<u>(5,000)</u>
Decrease in net OPEB obligation	(315)
Net OPEB obligation beginning of year	<u>5,000</u>
Net OPEB obligation end of year	<u>\$4,685</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the Commission contributed \$5,000 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 5,000	0.0%	\$ 5,000
June 30, 2012	4,685	0.0%	4,685

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$37,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$37,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$249,000 and the ratio of the UAAL to covered payroll was 14.9%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2010 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the Commission's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. The assumed rate of retirement was determined by attained age after becoming eligible to retire and continuing health coverage.

Note 10. Other Postemployment Benefits (continued)

Projected claim costs of the medical plan are \$15,870 per year for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

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.

The Commission had no director's and officer's liability coverage from July 1, 2011 to September 16, 2011. It is undeterminable the amount of risk and potential liability this might have on the Commission. However, effective September 16, 2011, the Commission obtained director's and officer's liability coverage. The Commission knows of no claims filed against them during the time they were without director's and officer's liability coverage. Amounts for potential losses as a result of the failure to have director's and officer's liability coverage have not been accrued in the financial statements because it appears any potential loss is remote, and the amount of the loss, if any, can not be reasonably determined.

The Commission has a partially self-funded health insurance program. The Commission funds the difference between the deductible and the out-of-pocket maximum on the plan provided to the employee and the plan actually purchased by Commission. The differences consist of a maximum Commission cost of \$750 per person per year. Based on current enrollment, the maximum cost to the Commission in any one year would be \$3,750.

Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 12. Mortgage Liens

In addition, to the mortgages discussed in note 5 above, the Commission and the component units 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 or the component units will release the mortgage. In the event of default by the owners, the Commission or the component units would be entitled to reimbursement. However, any reimbursement that might be received as a result of defaults is not believed to be material.

Note 13. Contingencies

The Commission and component units participate 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 or the component units. The Commission's and the component unit's management believes such revisions or disallowance, if any, will not be material to the Commission or the component units.

Note 14. Subsequent Events

The Commission has evaluated subsequent events through April 1, 2013, which is the date the financial statements were available to be issued.

Regional Economic Development Investments, Inc. awarded two loans totaling \$163,500 in fiscal year 2013 as of April 1, 2013.

AHEAD, Inc. Regional Housing Trust Fund was awarded \$32,000 from the State of Iowa to support the housing trust fund.

Note 15. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 61, The Financial Reporting Entity : Omnibus, was implemented during the year ended June 30, 2012. In addition, the beginning fund balances of certain funds were reclassified to more appropriately reflect the nature and purpose of the funds. The effects of these changes are as follows:

	Balances, June 30, 2011, as previously reported	Change in fund type classification per implementation of GASB Statement No. 61, and due to reclassification	Balances July 1, 2011, as restated
Government - wide Financial Statements:			
Primary Government -			
Governmental Activities	\$ 1,835,471	(522,868)	1,312,603
Component Unit	-	522,869	522,869
Governmental Fund Financial Statements:			
General Fund	144,680	153,400	298,080
Special Revenue Funds:			
AHEAD, Inc. Fund	166,778	(166,778)	-
AHEAD, Inc. Regional Housing Trust Fund	307,614	(307,614)	-
Economic Development			
Administration Grant	(7,334)	7,334	-
Iowa Department of Transportation	(17,670)	17,670	-
Administrative Contracts	34,363	(34,363)	-
Hazard Mitigation Grant Program	(12,392)	12,392	-
IDED Grant Programs	17,461	(17,461)	-
Iowan's Helping Iowan's	32,995	(32,995)	-
Housing Partnership Fund	41,196	(41,196)	-
Housing Fund	25,824	(25,824)	-
Local Housing Assistance Program	37,955	(37,955)	-

Required Supplementary Information

Area 15 Regional Planning Commission

Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2011	July 1, 2010	-	\$ 37	37	0.0%	\$ 265	14.0%
2012	July 1, 2010	-	37	37	0.0%	249	14.9%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

Area 15 Regional Planning Commission

Schedule 1

Schedule of Changes in Fiduciary Assets and Liabilities -  
Agency Fund

Year ended June 30, 2012

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash and cash equivalents	<u>\$ 647</u>	<u>8,514</u>	<u>8,794</u>	<u>367</u>
<b>Total Assets</b>	<u><u>\$ 647</u></u>	<u><u>8,514</u></u>	<u><u>8,794</u></u>	<u><u>367</u></u>
<b>Liabilities:</b>				
Due to other governments	<u>\$ 647</u>	<u>8,514</u>	<u>8,794</u>	<u>367</u>
<b>Total Liabilities</b>	<u><u>\$ 647</u></u>	<u><u>8,514</u></u>	<u><u>8,794</u></u>	<u><u>367</u></u>

See accompanying independent auditor's report.

Area 15 Regional Planning Commission

Schedule 2

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

For the Last Nine Years

	Modified Accrual Basis								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Revenues:</b>									
Use of money and property	\$ 17,559	28,541	35,754	35,532	49,905	55,128	45,083	35,362	37,317
Charges for service	140,674	79,354	103,907	86,431	58,423	80,350	121,005	123,320	92,106
Intergovernmental	338,866	784,731	340,079	845,041	195,415	178,244	173,966	171,466	207,080
Miscellaneous	54,145	22,886	34,066	56,104	29,117	39,092	8,940	4,665	30,862
<b>Total</b>	<b>\$ 551,244</b>	<b>915,512</b>	<b>513,806</b>	<b>1,023,108</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	\$ 567,035	773,207	539,048	989,948	387,395	323,711	368,947	373,073	442,097
	\$ 567,035	773,207	539,048	989,948	387,395	323,711	368,947	373,073	442,097

See accompanying independent auditor's report.

Area 15 Regional Planning Commission

Schedule 3

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

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	05-83-04981	<u>\$ 61,000</u>
Economic Adjustment Assistance	11.307	N/A	788,286
Economic Adjustment Assistance Disaster Recovery	11.307	05-69-04689	<u>500</u>
			<u>788,786</u>
	Total direct		<u>849,786</u>
Indirect -			
U.S. Department of Housing and Urban Development -			
Passed through Iowa Economic Development			
Authority and various cities and counties -			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	Various	<u>122,106</u>
U.S. Department of Transportation -			
Iowa Department of Transportation -			
Highway Planning and Construction	20.205	12-RPA-15	<u>41,658</u>
Formula Grants For Other Than Urbanized Areas	20.509	12-RPA-15	<u>22,040</u>
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	16,171
U.S. Department of Homeland Security -			
Passed through Iowa Homeland Security			
and Emergency Management Division and			
Davis County Board of Supervisors -			
Hazard Mitigation Grant	97.039	FEMA -1880-DR-IA	<u>1,010</u>
			<u>17,181</u>
	Total indirect		<u>202,985</u>
	Total		<u>\$ 1,052,771</u>

See accompanying independent auditor's report.

Area 15 Regional Planning Commission

Schedule 3

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Area 15 Regional Planning Commission and is presented on the modified accrual basis of accounting, except for revolving loan fund transactions (Economic Adjustment Assistance, CFDA 11.307), as explained below. 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 basic financial statements.

Computation of CFDA Number 11.307 - Economic Adjustment Assistance

Balance of loans outstanding at June 30, 2012	\$ 240,806
Cash and Investment balance at June 30, 2012	770,125
Administrative expenses paid out in fiscal year	15,479
Unpaid principal of loans written off during the fiscal year	<u>32,849</u>
Total	\$ 1,059,259
 Federal percentage	 <u>0.744186%</u>
 Amount included on Schedule of Expenditures of Federal Awards	 <u><u>\$ 788,286</u></u>

See accompanying independent auditor's report.

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

To the Board of Directors  
Area 15 Regional Planning Commission

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Area 15 Regional Planning Commission (Commission) as of and for the year ended June 30, 2012, which collectively comprise the Commission's basic financial statements listed in the table of contents, and have issued our report thereon dated April 1, 2013. 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

The management of the Commission is responsible for establishing and maintaining effective 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 an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and a deficiency we consider to be a significant deficiency.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Commission's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-12 and II-B-12 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-C-12 to be a significant deficiency.

## 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, 2012 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, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the 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*

Peak & Co., LLP  
Certified Public Accountants

April 1, 2013

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A  
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON 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 Area 15 Regional Planning Commission's (Commission) compliance, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on Area 15 Regional Planning Commission's major federal program for the year ended June 30, 2012. 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 could have a direct and material effect on its major federal program for the year ended June 30, 2012.

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 grant agreements 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified deficiencies in internal control over compliance we consider to be material weaknesses.

A deficiency in the Commission's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-A-12 and III-B-12 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program which is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency described in part III of the accompanying Schedule of Findings and Questioned Costs as item III-C-12 to be a significant deficiency.

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 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.

*Peak & Co., LLP*

Peak & Co., LLP  
Certified Public Accountants

April 1, 2013

Area 15 Regional Planning Commission  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Two material weaknesses and one significant deficiency in internal control over the major program were disclosed by the audit of the financial statements.
- (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 Assistance 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, 2012

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

**INTERNAL CONTROL DEFICIENCIES:**

II-A-12 Accounting Records – The Commission’s financial statements were not in balance until December 2012 for the year ended June 30, 2012. As a result, the Commission’s Board of Directors has not received accurate financial statements during the entire fiscal year.

Recommendation – The Commission implement procedures to ensure that the financial statements reconcile from year to year and on a monthly basis.

Response – The Commission’s Board of Directors receives monthly financial reports that are based on actual reconciled bank accounts. The General Ledger was out of balance due to a posting error and fiscal year 2011 adjustments not posted until December, 2012. However, we will make sure our financial statements reconcile from year to year and on a monthly basis.

Conclusion – Response accepted.

II-B-12 Year End Adjustments – We proposed adjusting journal entries that were material to the Commission’s financial statements.

Recommendation – We recommend that all balances at month and year end be reviewed for accuracy and completeness.

Response – We will take the recommendations you have made under advisement and make changes to our procedures to ensure the accuracy of the Commission’s financial statements.

Conclusion – Response accepted

II-C-12 Timely Deposit – One instance was noted where a receipt was held approximately four weeks prior to deposit.

Recommendation – All monies collected should be deposited on a timely basis, preferably daily.

Response – The receipt in question was a cashiers check received on October 5, 2011 from a cashed certificate of deposit. On November 2, 2011, after direction from the Board, this money was invested in a certificate of deposit at another financial institution. However, in the future, we will implement this recommendation.

Conclusion – Response accepted.

**INSTANCES OF NONCOMPLIANCE:**

No matters were noted.

Area 15 Regional Planning Commission  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

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

**INSTANCES OF NONCOMPLIANCE:**

No matters were reported.

**INTERNAL CONTROL 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-12 Monitoring of Loans – 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. (REDI) should continue to work on establishing procedures to ensure that the borrowers are properly monitored for compliance with the conditions of the loans.

Response and Corrective Action Planned – 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.

III-B-12 Excess Funds - Excess interest earnings on Regional Economic Development Investments, Inc. (REDI) funds are required to be paid to the EDA on a quarterly basis. We noted that the REDI is only remitting excess interest earnings to the EDA twice a year, instead of on a quarterly basis, as required.

Recommendation – The REDI implement procedures to ensure excess interest earnings on REDI funds be paid to the EDA on a quarterly basis.

Response and Corrective Action Planned – We have begun to remit our sequestered funds interest earnings to the EDA on a quarterly basis.

Conclusion – Response accepted.

Area 15 Regional Planning Commission

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

III-C-12 Non-Performing Loans – Regional Economic Development Investments, Inc. (REDI) has several loans in which the borrowers have quit making their loan payments to REDI. It does not appear that REDI has been very aggressive in pursuing the borrowers of the non-performing loans. For example, REDI could be pursuing the repossession of collateral in which REDI has a first security interest, or obtaining wage or bank account judgments against the borrowers. However, it does not appear that REDI has consistently been using these options to collect from borrowers who have quit making their loan payments to REDI.

Recommendation – REDI review all options available to them in the collection of non-performing loans.

Response and Corrective Action Planned – The REDI Board will review this in more detail.

Conclusion – Response accepted.

Area 15 Regional Planning Commission  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

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

IV-A-12 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-12 Travel Expense – No expenditures of Commission money for travel expenses of spouses of Commission officials or employees were noted.

IV-C-12 Business Transactions – No business transactions between the Commission and Commission officials or employees were noted.

IV-D-12 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-E-12 Deposits and Investments – Except as noted below, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Commission’s investment policy were noted.

For three months during the fiscal year, the Commission’s depository resolution did not include one depository used by the Commission.

Recommendation – The Commission implement procedures to ensure compliance with the Code of Iowa in relation to the depository resolution, which should include all depositories used by the Commission.

Response – We will implement this recommendation before any new depositories are used.

Conclusion – Response accepted.

IV-F-12 Non-Performing Loans – AHEAD, Inc. and the Commission have several residential home loans in which the borrowers have quit making their loan payments to AHEAD, Inc. and to the Commission. It does not appear that AHEAD, Inc. and the Commission have been very aggressive in pursuing the borrowers of the non-performing loans. For example, AHEAD, Inc. and the Commission could be obtaining wage or bank account judgments against the borrowers. However, it does not appear that AHEAD, Inc. and the Commission have been using these options to collect from borrowers who have quit making their loan payments to AHEAD, Inc. and to the Commission.

Recommendation – AHEAD, Inc. and the Commission review all options available to them in the collection of non-performing loans.

Response – Both boards will review this in more detail.

Conclusion – Response accepted.

Area 15 Regional Planning Commission  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

IV-G-12 Insurance – The Commission did not have director’s and officer’s liability insurance coverage until September 16, 2011. Without director’s and officer’s liability insurance coverage, the Commission could be exposing themselves to unnecessary risk.

Based on our review of the insurance policies, it is unclear if Regional Economic Development Investments, Inc. and AHEAD, Inc. are covered under the director’s and officer’s liability insurance coverage.

Recommendation – The Commission, Regional Economic Development Investments, Inc. and AHEAD, Inc. implement procedures to ensure director’s and officer’s liability insurance is obtained at all times.

Response – Our previous director’s and officer’s liability insurance company did not renew our policy. Due to our claims history, it took quite a while to obtain director’s and officer’s liability insurance from a company that would accept us. Therefore, we were without coverage for a while. However, we found an insurance carrier effective September 16, 2011 who would provide us coverage and we currently do have coverage for this, and we will renew this coverage every year.

We will clarify with our insurance carrier as to whether Regional Economic Development Investments, Inc. and AHEAD, Inc. have director’s and officer’s liability insurance coverage.

Conclusion – Response accepted.

IV-H-12 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the Commission to retain cancelled checks in an electronic format and required retention in this manner to include an image of both the front and back of each cancelled check. In some instances, the Commission did not obtain an image of the front and back of the cancelled checks, as required.

Recommendation – The Commission obtain an image of both the front and back of each cancelled check as required.

Response – Due to the sale of the bank from Hedrick Savings Bank to South Ottumwa Savings Bank, in some months the bank was unable to provide us with an image of the front and/or back of each cancelled check. We are now obtaining an image of the front and back of each cancelled check.

Conclusion – Response accepted.

IV-I-12 Miscellaneous – The Commission received a grant from the Iowa Department of Economic Development for marketing activities. The grant was closed out in June 2009. However, as of June 30, 2012, some of these grant funds were not yet disbursed.

While the Board approved the salary scale, the Board President did not sign the approved salary scale. As a result, there is less assurance that the salary amounts paid by the Commission were approved by the Board.

Recommendation – The Commission review the grant agreement for marketing activities with the Iowa Economic Development Authority to determine the appropriate course of action.

The Board President should sign the approved salary scale, with the list retained by the Commission.

Area 15 Regional Planning Commission

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

Response – We will implement the above recommendations.

Conclusion – Response accepted.

IV-J-12 Executive Committee – The number of current members on the executive committee does not agree to the number of members as required according to the Commission’s articles of agreement.

Recommendation – The Commission implement procedures to ensure the number of members on the executive committee agree with the requirements as documented in the articles of agreement.

Response – We are in the process of amending the articles of agreement in relation to this issue. Once completed, we will be in compliance.

Conclusion – Response accepted.

IV-K-12 AHEAD, Inc. Regional Housing Trust Fund (RHTF) – One program of the RHTF is to provide assistance to eligible homeowners to repair their house. In these instances, the RHTF pays the contractor directly for the cost of the repairs. However, in one instance, the RHTF was unable to show proof of contractor insurance, as required by RHTF policies,

Another program of the RHTF is to provide utility assistance to qualified tenants. In one instance where the RHTF provided utility assistance to a tenant, the RHTF was unable to determine who owned the property in question. As a result, the RHTF was unable to determine compliance with the requirements that only tenants, and not owners, are eligible for utility assistance.

Recommendation – To ensure compliance with the program, AHEAD, Inc. should implement procedures to ensure that documentation is obtained and retained, as required, in relation to the RHTF program, and that the RHTF policies are followed.

Response – We will implement this recommendation.

Conclusion – Response accepted.

IV-L-12 Credit Union – At times during the fiscal year, some AHEAD, Inc. monies on deposit in the credit union were not covered by depository insurance, or by any other insurance or collateral.

Recommendation – AHEAD, Inc. implement procedures to ensure all funds are covered by depository insurance, or collateralized in some manner.

Response – The AHEAD Regional Housing Trust Fund (RHTF) money market account exceeded the \$250,000 depository insurance level from May 24, 2011 until Aug. 24, 2011. That is due to the fact that all of the SHTF/IFA award was drawdown lump sum and deposited. However SHTF/IFA has changed their distribution procedures on future funds and there will be no lump sum drawdown of funds. The AHEAD RHTF will only be allowed to drawdown funds needed immediately to fund projects with such need for funds documented to SHTF/IFA prior to drawdown authorization and disbursement. We will contact the credit union and discuss our options with them if future account balances exceed the depository insurance levels.

Conclusion – Response accepted.

Area 15 Regional Planning Commission

Corrective Action Plan for Federal Audit Findings

Year Ended June 30, 2012

Comment Number	Comment Title	Corrective Action Plan	Contact Person, Title, Phone Number	Anticipated Date of Completion
III-A-12	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
III-B-12	Excess Funds	We will remit excess interest to the EDA on a quarterly basis	Ellen Foudree Executive Director (641) 684-6551	Immediately
III-C-12	Non-Performing Loans	Our Board will address this issue and implement a policy in relation to this.	Ellen Foudree Executive Director (641) 684-6551	June 30, 2013

Area 15 Regional Planning Commission  
 Summary Schedule of Prior Federal Audit Findings  
 Year Ended June 30, 2012

Comment Reference	Comment Title	Status	If not corrected, planned corrective action or other explanation
III-A-09 III-A-10 III-A-11	Monitoring of Loans	Not corrected	In the process of implementation.
III-B-10	Economic Adjustment Assistance Grant	Partially implemented	For the part not implemented, we are in the process of implementation.
III-B-11	Excess Funds	Not corrected	Already implemented in fiscal year 2013.
III-C-11	Accounting Records	Corrected	
III-D-11	Non-Performing Loans	Not corrected	In process of implementation.