Bi-State Regional Commission

Financial and Compliance Report
June 30, 2013

Contents

Bi-State Regional Commission

Representatives

OFFICERS

Larry Minard, Chair
Phillip Banaszek, Secretary
John Thodos, Vice Chair
Kas Kelly, Treasurer

COUNTY REPRESENTATIVES

Henry County:
Tim Wells, Chair
Dennis Anderson, Member
JoAnne Hillman, Member

Rock Island County:
Phillip Banaszek, Chair
Kim Callaway-Thompson, Member
Scott Terry, Member
Elizabeth Sherwin, Citizen

Muscatine County:
Jeff Sorensen, Chair
Kas Kelly, Member

Scott County:
Larry Minard, Chair
Carol Earnhardt, Member
Tom Sunderbruch, Member
Celia Rangel, Citizen

MUNICIPAL REPRESENTATIVES

City of Davenport:
Bill Gluba, Mayor
Sheila Burrage, Alderman
Jason Gordon, Alderman
Hap Volz, Citizen

City of Rock Island:
Dennis Pauley, Mayor
Chuck Austin, Councilman

City of Moline:
Scott Raes, Mayor
Sean Liddell, Alderman

City of Bettendorf:
Bob Gallagher, Mayor

City of East Moline:
John Thodos, Mayor

City of Muscatine:
DeWayne Hopkins, Mayor

City of Kewanee:
Bruce Tossell, Mayor

City of Silvis and Villages of Andalusia, Carbon Cliff, Coal Valley, Cordova, Hampton, Hillsdale, Milan, Oak Grove, Port Byron and Rapids City:
Ken Williams, Mayor, Carbon Cliff

Cities of Aledo, Colona, Galva, Geneseo and Villages of Alpha, Andover, Atkinson, Cambridge, New Boston, Orion, Sherrard, Viola, Windsor and Woodhull:
Jim Crouch, Mayor, Cambridge

Cities of Blue Grass, Buffalo, Eldridge, Fruitland LeClaire, Long Grove, McCausland, Princeton, Riverdale, Walcott, West Liberty and Wilton:
Marty O'Boyle, Mayor, Eldridge

DESIGNATED CONSTITUENCIES

Cheryl Goodwin
Ralph H. Heninger
Nathaniel Lawrence
Rick Schloemer
Bill Stoermer
Jim Tank
Rory Washburn

Bohnsack & Frommelt LLP
Certified Public Accountants

Independent Auditor's Report

To the Commissioners
Bi-State Regional Commission
Rock Island, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the Bi-State Regional Commission as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Bi-State Regional Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bi-State Regional Commission as of June 30, 2013, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis Of Matter

As discussed in Note 11 to the basic financial statements, the Bi-State Regional Commission adopted Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities* for the year ended June 30, 2013. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other postemployment benefit plan schedule of funding progress on pages 5–8 and 20, respectively, 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 who considers it to be an essential part of 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The accompanying schedules listed in the table of contents as supplementary information and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2013 on our consideration of the Bi-State Regional Commission's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bi-State Regional Commission's internal control over financial reporting and compliance.

Bohnsack & Frommelt LLP

Taylor Ridge, Illinois
November 25, 2013

Introduction

This section of Bi-State Regional Commission's (Commission) Financial and Compliance Report presents the Management's Discussion and Analysis of the Commission's financial performance during the fiscal year ended June 30, 2013. Since the Management's Discussion and Analysis is designed to focus on current activities, resulting change and currently known facts, it should be read in conjunction with the Commission's basic financial statements and the notes to the basic financial statements.

Financial Highlights

- The assets of the Commission exceeded liabilities as of June 30, 2013, by $2,276,916. Of this amount, $359,638 is unrestricted and may be used to meet the Commission's ongoing obligations in accordance with the Commission's designations and policies. As of June 30, 2012, assets exceeded liabilities by $2,184,625; of this amount, $425,690 was unrestricted.
- The Commission's total net assets increased by $92,291, as compared to a decrease of $134,829 in 2012.
- The Commission's total long-term liabilities increased by $79,588.

Overview of the Financial Statements

The statement of net position presents the assets, deferred inflows of resources, liabilities, deferred outflows of resources and net position of the Commission as of the end of the fiscal year and requires the classification of assets and liabilities into current and noncurrent categories. The difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources is reflected in the net position section that reflects net position in three broad categories: net investment in capital assets; restricted; and unrestricted. Net position is one indicator of the current financial condition of the Commission, while the change in net position is one indicator of whether the overall financial condition of the Commission has improved or deteriorated during the year.

The statement of revenues, expenses and changes in net position presents the revenues and expenses that occurred during the fiscal year. Revenues and expenses are categorized as operating and nonoperating, and expenses are reported by natural classification.

The statement of cash flows presents the inflow and outflow of cash collected and disbursed by the Commission for the fiscal year. It separates the sources and uses of funds by the major categories of operating, capital and related financing, noncapital financing, and investing activities.

Condensed Financial Information

Statement of Net Position

	2013	2012
Assets:		
Noncapital	**$ 3,123,174**	$ 2,987,906
Capital (net)	**50,102**	60,712
Total assets	**3,173,276**	3,048,618
Liabilities:		
Current	**590,120**	637,341
Noncurrent	**306,240**	226,652
Total liabilities	**896,360**	863,993
Net position:		
Net investment in capital assets	**50,102**	60,712
Restricted	**1,867,176**	1,698,223
Unrestricted	**359,638**	425,690
Total net position	**$ 2,276,916**	$ 2,184,625

The Commission's net investment in capital assets is 2 percent in 2013 and 3 percent in 2012 of total net position. Restricted net position is 82 percent of total net position for the 2013 fiscal year, and 78 percent for the 2012 fiscal year. The Commission's unrestricted net position reflects approximately 16 percent of the Commission's net position for the 2013 fiscal year, and 19 percent for the 2012 fiscal year.

The increase in total assets of $124,658 from the 2012 fiscal year is due to an increase in notes receivable issued under the EDA Revolving Loan Fund.

Current liabilities have decreased $47,221 from fiscal year 2012 due to a decrease to accounts payable and accrued expenses. Noncurrent liabilities increased $79,588 primarily due to the accounting for other post-employment benefit (OPEB) liabilities.

		2013		2012
Revenues:				
Operating:				
Federal grants	**$**	**1,029,692**	$	1,094,030
State grants and support		**79,656**		71,301
General support		**376,057**		376,061
Local		**833,337**		943,869
Interest on notes receivable		**29,347**		23,386
Other		**466**		1,906
Nonoperating income, interest		**1,022**		1,703
Total revenues		**2,349,577**		2,512,256
Expenses:				
Operating:				
Salaries		**889,113**		848,794
Fringe benefits		**466,370**		468,068
Indirect costs		**264,721**		235,327
OPEB expense		**82,895**		67,762
Printing		**15,014**		21,973
Travel and conference		**31,425**		25,350
Consultants		**203,241**		140,558
Direct program costs		**240,961**		578,185
Miscellaneous		**41,282**		36,565
Depreciation		**22,264**		21,645
Provision for doubtful loans		**-**		202,858
Total expenses		**2,257,286**		2,647,085
Change in net position		**92,291**		(134,829)
Beginning net position		**2,184,625**		2,319,454
Ending net position	**$**	**2,276,916**	$	2,184,625

Operating revenues accounted for approximately 99 percent of total revenues, while nonoperating revenues accounted for the other 1 percent of the Commission's total revenues. Operating revenues consist primarily of federal and state programs, membership dues, Municipal Code Enforcement System and interest on revolving loans.

Overall, federal and state grants operating revenues have decreased from prior years. In particular, the ARRA program for Energy Efficiency and Conservation Block Grant was substantially completed in fiscal year 2012 and is not a recurring program.

Operating expenses are directly affected by the federal and state programs. In addition, the Commission increased the provision for doubtful loans in fiscal year 2012 for specific loans receivable. No such increase was required in fiscal year 2013.

Capital Assets

The Commission's capital assets were $181,145, net of accumulated depreciation of $131,043, as of June 30, 2013 and $185,107, net of accumulated depreciation of $124,395 as of June 30, 2012. This decrease of $10,610 is due to purchases in an amount less than the current year depreciation. Depreciation expense was $22,264. Acquisition of equipment was $11,654. Further information on capital assets can be found in Note 3 to the basic financial statements.

Long-Term Debt

The Commission did not issue any new debt in the current year nor does the Commission have outstanding debt from prior years. Note 8 to the basic financial statements disclose information in regards to the Commission's noncurrent compensated absences liability. Note 10 to the basic financial statements discloses information in regards to the Commission's noncurrent other postemployment benefits liability.

Economic Factors and Next Year's Budget

Revenue from federal and state grants and support was $1,109,348 in 2013 compared to $1,165,331 in 2012, a $55,983 decrease from 2012, while revenues from general support and local sources was $1,209,394, a $110,536 decrease from 2012.

Interest earned on notes receivable from the Commission's Revolving Loan Fund have remained relatively constant from year-to-year with interest rates ranging from 2.44 to 4.00 percent.

The following are factors that may affect the Commission over the next few years:

- The continuation of competitive federal and state funds available decreasing will increase the need for local contracting and funding.
- Continued increased costs of health insurance benefits could impact affordability.
- New regulations and newer staff increase training needs.

All of these factors will be considered in preparing the Commission's budget for the June 30, 2014 fiscal year.

Requests for Information

This financial report has been prepared to provide the reader with an overview of the Commission's financial operations. If the reader would like additional information, please direct the request to Donna Moritz, Administration and Finance Director, 309.793.6302 extension 128.

Bi-State Regional Commission

Statement of Net Position
June 30, 2013

Assets		
Current:		
Cash and cash equivalents	$	1,369,557
Receivables:		
Notes receivable, net		209,767
Due from other governments		523,653
Accounts receivable		116,604
Accrued interest receivable		2,897
Prepaid items		104,975
Total current assets		2,327,453
Noncurrent:		
Equipment, net of accumulated depreciation of $131,043		50,102
Notes receivable, net of allowance for doubtful notes of $235,763		795,721
Total noncurrent assets		845,823
Total assets	$	3,173,276
Liabilities and Net Position		
Current liabilities:		
Accounts payable	$	166,025
Accrued expenses		103,740
Compensated absences		107,235
Unearned revenue		213,120
Total current liabilities		590,120
Noncurrent liabilities:		
Compensated absences		25,154
Other postemployment benefits		281,086
		306,240
Total liabilities		896,360
Net Position		
Net investment in capital assets		50,102
Restricted for revolving loan program		1,867,176
Unrestricted		359,638
Total net position		2,276,916
Total liabilities and net position	$	3,173,276

See Notes to Basic Financial Statements.

Bi-State Regional Commission

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2013

Operating revenues:	
Federal grants	$ 217,700
Federal grants, administered by state	719,644
Federal grants, administered by local government	92,348
State grants and support	79,656
General support	376,057
Local	833,337
Interest on notes receivable	29,347
Other	466
Total operating revenues	2,348,555
Operating expenses:	
Salaries	889,113
Fringe benefits	466,370
Indirect costs	264,721
Printing	15,014
Travel and conference	31,425
Consultant	203,241
Direct program costs	240,961
Miscellaneous	41,282
Depreciation	22,264
Other postemployment benefits	82,895
Total operating expenses	2,257,286
Operating income	91,269
Nonoperating income, interest	1,022
Change in net position	92,291
Net position, beginning	2,184,625
Net position, ending	$ 2,276,916

See Notes to Basic Financial Statements.

Bi-State Regional Commission

Statement of Cash Flows
Year Ended June 30, 2013

Cash flows from operating activities:	
Receipts from members and grantors	$ 2,022,803
Payments to vendors	(868,945)
Payments to employees	(1,391,956)
Net cash used in operating activities	(238,098)
Cash flows from capital and related financing activities, acquisition of equipment	(11,654)
Cash flows from investing activities, interest received	1,022
Net decrease in cash and cash equivalents	(248,730)
Cash and cash equivalents:	
Beginning	1,618,287
Ending	$ 1,369,557
Reconciliation of operating income to net cash used in operating activities:	
Operating income	$ 91,269
Adjustments to reconcile operating income to net cash used in operating activities:	
Depreciation	22,264
Notes receivable originated	(585,326)
Collection of notes receivable	146,513
Decrease (increase) in:	
Accrued interest on notes receivable	(1,609)
Due from other governments	68,303
Accounts receivable	33,029
Prepaid items	(44,908)
Increase (decrease) in:	
Accounts payable	(27,393)
Accrued expenses	(39,492)
Compensated absences	3,019
Unearned revenue	13,338
Other postemployment benefits	82,895
Net cash used in operating activities	$ (238,098)

See Notes to Basic Financial Statements.

Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies

Nature of operations:

Bi-State Regional Commission is a regional council created to serve local governments and not-for-profits in Muscatine and Scott Counties in Iowa and Henry, Mercer and Rock Island Counties in Illinois. The primary objectives of the Commission are threefold:

1. To serve local governments in the Bi-State region.
2. To serve as a regional forum for intergovernmental cooperation.
3. To provide staff assistance and research in the areas of transportation, housing, environment, human services, land use, economic development, flood recovery and local government planning and management.

Reporting entity:

The financial report of the Commission includes all of the integral parts of the Commission's operations. Accounting principles generally accepted in the United States of America require the financial reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and, (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Commission has the right to sue and be sued, and has the right to buy, sell or mortgage property in its own name. Based on this criteria, the Commission is considered a primary government and there are no other organizations or agencies whose financial statements should be combined and presented with these financial statements.

Significant accounting policies:

<u>Basis of accounting and measurement focus</u>: The Commission uses the accrual basis of accounting and the economic resources measurement focus. Revenue is recognized when earned and expenses are recognized when the liability is incurred.

Revenue from grants, general support and similar programs is recognized when the Commission has done everything necessary to establish its right to the revenue.

<u>Accounting estimates</u>: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

<u>Cash and cash equivalents</u>: For purposes of reporting cash flows, the Commission considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

<u>Equipment</u>: Equipment is carried at cost, less accumulated depreciation computed on a straight-line basis over the equipment's estimated useful life of three to five years. The Commission capitalizes assets with an initial, individual cost of $500 for nonfederal grant assets and $5,000 for federal grant assets. Donated assets are recorded at the estimated fair value at the date of donation.

Note 1. Nature of Operations, Reporting Entity and Significant Accounting Policies (Continued)

Accounts receivable: Accounts receivable mainly results from services provided to not-for-profit organizations and fines and fees paid by citizens.

Notes receivable: The Commission administers a Revolving Loan Fund to account for low interest economic development loans being made to qualifying entities within the private sector. As of June 30, 2013, the outstanding balance on these loans totaled $1,241,251, net of an allowance for doubtful accounts of $235,763, with interest rates ranging from 2.44 percent to 4 percent.

Unearned revenue: Resources that have been received but not earned are recorded as unearned revenue. Unearned revenue consists primarily of local program matches collected from members and state grant monies collected prior to the federal or state program being completed.

Operating and nonoperating revenues and expenses: Operating revenues result from exchange transactions of the Commission's activities including federal and state programs. Nonoperating revenues result from nonexchange transactions such as interest earnings. Expenses associated with operating the Commission are considered operating.

Net position: Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. The Commission does not have deferred outflows of resources or deferred inflows of resources as of June 30, 2013. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by any outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Commission or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position consists of net position that does not meet the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

As of June 30, 2013, no debt is outstanding for the purchase of capital assets. Restricted net assets of $1,867,176 are for the revolving loan program.

Net position flow assumption: Sometimes the Commission will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as net position-restricted and net position-unrestricted, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Commission's policy to consider net position-restricted to have been depleted before net position-unrestricted is applied.

Note 2. Cash and Cash Equivalents

The Commission's cash and cash equivalents as of June 30, 2013, consists of the following:

Petty cash	$	350
Checking accounts		27,929
Certificate of deposit		100,000
Money market savings accounts		1,241,278
	$	1,369,557

The Commission's cash and cash equivalents during the year did not vary substantially from those at year-end in amounts or level of risk.

Note 2. Cash and Cash Equivalents (Continued)

Interest rate risk: In accordance with the Commission's formal investment policy, the Commission is authorized to invest in short-term certificates of deposits and long-term money market certificates. The Commission did not own any investments as of June 30, 2013.

Credit risk: Statutes authorize the Commission to make deposits in federally insured banks, savings and loan associations or other financial institutions, and to invest available funds in the following types of depository accounts or investments:

- Securities of the U.S. Government or its Agencies
- Certificates of Deposit
- Passbook Savings Accounts
- Commercial Paper
- Illinois Funds Money Market Fund
- Repurchase Agreements
- Obligations of the Federal National Mortgage Association
- Bankers Acceptances

Concentration of credit risk: The Commission's formal investment policy attempts to allow flexibility, equality of opportunity and maximum interest yield on the Commission's investments.

Custodial credit risk: Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. As of June 30, 2013, the Commission's carrying amount of deposits totaled $1,369,207 with the bank balance of $1,381,675. Of the bank balance, $491,287 was covered by federal depository insurance with the remaining $890,388 insured by the state of Iowa through pooled collateral, State Sinking Funds and by the state of Iowa's ability to assess for lost funds. Therefore, as of June 30, 2013, the Commission had no deposits exposed to custodial credit risk.

Note 3. Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2013:

	June 30, 2012	Additions	Deletions	June 30, 2013
Capital assets being depreciated:				
Equipment	$ 185,107	$ 11,654	$ (15,616)	$ 181,145
Accumulated depreciation	(124,395)	(22,264)	15,616	(131,043)
Capital assets, net	$ 60,712	$ (10,610)	$ -	$ 50,102

Note 4. Lease Commitment and Rent Expense

The Commission leases its office space and physical facilities from the County of Rock Island, Illinois under an agreement which is renewable annually. The total rent expense of the Commission for the year ended June 30, 2013 was $55,421.

Note 5. Related Party Transactions

Due from other governments and operating revenues includes transactions with related parties. The Board of Commissioners of Bi-State is made up of individuals from participating governments. All transactions with participating governments would be considered related party transactions. Detail information related to these transactions can be found in the supplemental schedules following the basic financial statements.

Note 6. Pension Plan

The Commission has a defined contribution pension plan covering substantially all employees who have completed 90 days of continuous service. The plan provides eligible employees with retirement and death benefits through a group annuity contract wherein all amounts are allocated to separate accounts by the insurer. The Commission contributes, on behalf of each of the employees who are members of the plan, an amount equal to 9 percent of their annual compensation. Members make mandatory pretax contributions to their accounts in the amount of 4½ percent of their annual compensation and are 100 percent vested on that portion. Commission contributions are 20 percent vested after three years and vest by an additional 20 percent for each year of service thereafter, and are 100 percent vested after seven years. The Commission's total payroll for the year ended June 30, 2013 was $1,214,726 of which $1,179,786 was covered under this plan. The total contributions and administrative costs incurred by the Commission, net of forfeitures, for the year ended June 30, 2013 was $67,382. Employees contributed $53,090 during fiscal year 2013. The plan assets are reported at fair value using quoted market prices.

Note 7. Deferred Compensation Plan

The Commission offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The plan, available to all Commission employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Note 8. Compensated Absences

Commission salaried employees working 20 hours or more per week accumulate sick leave hours at a rate of one hour for each 21 and ¾ hours of paid employment and may accumulate the hours up to a maximum of 130 working days. The Commission's sick leave policy states that, under certain circumstances, an employee may exchange two hours of sick leave accrued during the year for one hour of paid vacation leave provided the employee maintains at least 240 hours of sick leave. An employee who wishes to make an exchange must complete a form during the month of December. In no case shall an employee's sick leave transfer cause their balance to exceed the maximum accrual allowed for vacation time. Upon termination, employees receive no payment for the unused accumulated sick leave hours. The unvested sick leave represents a contingent liability of the Commission in the amount of approximately $162,053 as of June 30, 2013. The compensated absences as of June 30, 2013, consist of accrued vacation.

	2012	Earned	Used	2013	Due Within One Year
Compensated absences	$ 129,370	$ 112,083	$ 109,064	$ 132,389	$ 107,235

Note 9. Risk Management

The Commission is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; natural disasters; workers' compensation; and accidents. The Commission carries commercial insurance of which management believes is adequate to cover material risk to which the Commission is exposed. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

In addition, the Commission pays premiums to Rock Island County for employee health insurance through the County's self-insurance plan. Premiums paid to the County in fiscal year 2013 for health insurance were $172,742 and in 2012 $169,139. There were no additional premiums owed to the County for past claims as of June 30, 2013 and 2012.

Note 10. Other Postemployment Benefits

Plan description: The Commission provides postretirement health care benefits to all Commission employees who retire after 20 years of service and have attained age 55. Upon retirement, all employees may elect to continue coverage under the Commission's group health and accident insurance. Currently, no retiree has maintained the Commission's group health and accident insurance coverage. The Plan does not issue a stand-alone financial report.

Funding policy: The Commission establishes and amends contribution requirements. The Commission pays approximately 50 percent of the pre-Medicare retirees' health insurance premiums for single coverage. For fiscal year 2013, the Commission had no contributions. Active members receiving benefits have required monthly contributions of:

Coverage Type	Rate
Single	$ 56.62
Single + One	127.40
Single + Two	167.86
Family	198.10

The current funding policy of the Commission is to pay on a pay-as-you-go basis.

Annual OPEB cost and net OPEB obligation: The Commission's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance to the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the 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, the amount actuarially contributed to the plan and changes in the Commission's annual OPEB obligation:

Annual required contribution	$ 81,573
Interest on OPEB	7,928
Adjustments to ARC	(6,606)
Annual OPEB costs	82,895
Contributions and payments made	-
Increase in net OPEB obligation	82,895
Net OPEB obligation - July 1, 2012	198,191
Net OPEB obligation - June 30, 2013	$ 281,086

Note 10. Other Postemployment Benefits (Continued)

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligations for 2013 and the two preceding years follows.

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	$ 57,679	3.03%	$ 130,429
June 30, 2012	67,762	-	198,191
June 30, 2013	82,895	-	281,086

Funded status and funding progress: As of June 30, 2013, the most recent valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was $446,664 and the actuarial value of assets is none resulting in an unfunded actuarial accrued liability (UAAL) of $446,664. The covered payroll (annual payroll of active employees covered by the plan) was $1,059,933 and the ratio of the UAAL to the covered payroll was 42.1 percent.

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. Amounts determined regarding the funded status of the plan and annual required contributions of the employer 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 following the notes to the financial statements, presents only the initial year trend information.

Actuarial methods and assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and included in 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 that are 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.

In the June 30, 2013 actuarial valuation, entry age method was used. The actuarial assumptions included a 4 percent investment rate of return, which includes a 3 percent inflation assumption, and a healthcare inflation rate of 8 percent with an ultimate rate of 6 percent. The UAAL is being amortized as a level percentage of projected pay on an open basis. The amortization of UAAL is over a period of 30 years.

Note 11. Current and Pending Pronouncements

The Commission implemented the following Governmental Accounting Standards Board (GASB) statement during the year ended June 30, 2013:

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements.* This Statement is intended to improve financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnerships.

GASB Statement No 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34.* This Statement is intended to improve financial reporting for governmental financial reporting entities by improving guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity.

Note 11. Current and Pending Pronouncements (Continued)

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statement in the future.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* This Statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This Statement reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources.

The implementation of the above statements did not have a material impact to the Commission's financial statements other than GASB Statement No. 63 and No. 65. The adoption of these Statements changed the presentation of the basic financial statements to a statement of net position format.

As of June 30, 2013, GASB had issued several statements not yet required to be implemented by the Commission. The Statements which might impact the Commission are as follows:

GASB Statement No. 66, *Technical Corrections – 2012*, issued April 2012, will be effective for the Commission with its year ending June 30, 2014. This Statement enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting.

GASB Statement No. 67, *Financial Reporting for Pension Plans,* issued June 2012, will be effective for the Commission beginning with its year ending June 30, 2014. This Statement revises existing guidance for the financial reports of most pension plans. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and GASB Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* issued June 2012, will be effective for the Commission beginning with its year ending June 30, 2015. This Statement revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. Statement No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures,* as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued January 2013, is effective for the Commission beginning with its year ending June 30, 2015. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

Note 11. Current and Pending Pronouncements (Continued)

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, issued April 2013, is effective for the Commission beginning with its year ending June 30, 2014. Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

The Commission's management has not yet determined the effect these GASB Statements will have on the Commision's financial statements.

Bi-State Regional Commission

Required Supplementary Information
Other Postemployment Benefit Plan

SCHEDULE OF FUNDING PROGRESS

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Net Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2010	6/30/10	$ -	$ 715,513	$ 715,513	0%	$ 963,153	74.3%
2011	6/30/10	-	715,513	715,513	0%	1,022,977	69.9%
2012	6/30/10	-	715,513	715,513	0%	1,017,539	70.3%
2013	**6/30/13**	**-**	**446,664**	**446,664**	**0%**	**1,059,933**	**42.1%**

Note: Fiscal year 2010 is the transition year for GASB Statement No. 45

The information presented in the required supplementary schedules was determined as part of the actuarial valuation date as of June 30, 2013. Additional information follows:

a. The cost method used to determine the ARC is the Entry Age Actuarial Cost method.

b. There are no plan assets.

c. The actuarial assumptions included: 1) 4 percent investment rate of return with an inflation assumption of 3 percent and 2) a healthcare inflation rate of 8 percent with an ultimate rate of 6 percent.

d. The amortization method is level percentage of pay on an open basis.

Bi-State Regional Commission

Due From Other Governments
June 30, 2013

Source	Project	Period		Project Amount
Illinois Department of Transportation	Transportation PL & SMAP	12-13	$	100,834
Illinois Department of Transportation	Federal Transit	12-13		44,989
Illinois Department of Transportation	Household Survey	12-13		6,032
Illinois Department of Transportation	Travel Demand Capabilities	12-13		5,683
Illinois Department of Transportation	Henry County Comp Plan	12-13		685
Illinois Department of Transportation	Federal Transit Non Urban HSTP/Mobility	12-13		60,198
Iowa Department of Transportation	Transportation PL & Federal Transit	12-13		48,167
Iowa Department of Transportation	Regional Transit	12-13		4,694
Iowa Department of Transportation	ICAAP - Household Survey	12-13		24,126
Iowa Department of Transportation	ICAAP - Make Outdoor Air Visable	12-13		7,487
Iowa Department of Economic Development	Planning	12-13		9,569
Economic Development Administration	Rural Jobs Accelerator	12-13		18,940
Emergency Telephone System Board of Rock Island County	Local Programs	12-13		49,947
City of Bettendorf	Transit Planner	12-13		13,805
City of Davenport	Transit Planner	12-13		1,091
City of Rock Island	Local Programs	12-13		10,730
City of Silvis	Local Programs	12-13		5,462
Henry County	TICP	12-13		4,195
Muscatine County	Hazard Mitigation Plan	12-13		6,681
Rock Island County	Local Programs	12-13		27,920
Rock Island County Waste Management Agency	Local Programs	12-13		3,658
Scott County	Hazard Mitigation Plan	12-13		
Scott County Decategorization Program	Financial Management	12-13		33,220
Scott County Housing Council	Financial Management	12-13		2,974
United States Department of Agriculture	Rural Jobs Accelerator	12-13		5,951
Various under $1,000 each and accrued at year-end	Various	12-13		26,615
			$	523,653

Bi-State Regional Commission

Schedule of Indirect Costs
Year Ended June 30, 2013

	Budget	Actual
Indirect labor costs, general administration	$ 218,722	$ 245,980
Indirect nonlabor costs:		
Supplies and materials	6,000	6,535
Postage	12,000	10,467
Telephone	5,000	4,703
Printing and technical reproduction	2,500	1,524
Equipment maintenance	13,000	9,106
Rent	55,421	55,421
Travel, conferences and registration fees	1,500	5,047
Automobile expense	4,500	4,290
Equipment, furniture and fixtures	2,500	2,700
Legal, accounting and other professional fees	26,000	25,684
Library subscriptions	4,071	2,989
Memberships and dues	699	500
Insurance and bonding	14,000	11,678
Use allowance	23,000	20,696
Recruiting	1,250	-
Miscellaneous	200	350
Total indirect nonlabor costs	171,641	161,690
Total indirect costs	$ 390,363	407,670
Indirect cost allocation (at a rate of 29%)		362,145
Under allocated indirect costs, current year		45,525
Total under allocated, prior years		53,043
Included in prepaid items		$ 98,568

Bi-State Regional Commission

Schedule of Fringe Benefits
Year Ended June 30, 2013

	Budget	Actual
Vacation earned	$ 99,309	$ 112,083
Sick pay taken	37,695	40,743
FICA	91,727	90,239
Unemployment	2,014	1,846
Health insurance	174,492	172,742
Retirement	112,514	67,382
Life and LTD insurance	10,302	10,723
Auto allowance	5,040	5,040
Educational reimbursement	3,000	1,739
Total fringe benefits	$ 536,093	502,537
Fringe benefit allocation (at a rate of 44%)		466,370
(Over) under allocated fringe benefits		36,167
Total (over) allocated, prior years		(67,481)
Included in accrued expenses		$ (31,314)

Bi-State Regional Commission

Schedules of Revenues and Expenses and Computation of Grantor Participation on Completed Projects
Year Ended June 30, 2013

Primary Grantor Agency	Illinois Department of Transportation	
Fund Title	Federal Transit Nonurban Area Formula Grant	
Project Period	Year Ended June 30, 2013	Cumulative
Revenue, general support	$ -	$ -
Revenue, state grants & support	-	-
Revenue, federal grants administered by state	47,966	223,948
Total revenue	47,966	223,948
Expenditures:		
Salaries	23,537	108,438
Fringe benefits	10,356	52,089
Printing	664	1,305
Travel and conference	249	5,129
Indirect costs	9,829	43,511
Consultant	-	4,156
Direct program costs	3,331	8,597
Miscellaneous	-	723
Total expenditures	47,966	223,948
Revenue over expenditures	$ -	$ -
Participation in costs by primary grantor		100%
Grant contract		$ 260,600
Grant participation permissible		$ 223,948
Grant funds received		164,878
Grant funds not yet received		59,070
Grant funds returned		$ -
Status		Complete

Illinois Department of Transportation		
Federal Transit Nonurban Area Formula Grant	Highway Planning and Construction	Federal Transit Technical Study
Year Ended June 30, 2013	Year Ended June 30, 2013	Year Ended June 30, 2013
$ -	$ 16,406	$ 18,607
-	47,048	-
1,128	253,814	74,376
1,128	317,268	92,983
607	162,585	48,068
267	71,537	21,150
-	2,326	404
-	3,352	589
254	67,896	20,073
-	100	-
-	873	-
-	8,599	2,699
1,128	317,268	92,983
$ -	$ -	$ -
100%	80%	80%
$ 114,676	$ 351,694	$ 74,376
$ 1,128	$ 300,862	$ 74,376
-	200,028	29,387
1,128	100,834	44,989
$ -	$ -	$ -
Incomplete	Complete	Complete

Bi-State Regional Commission

Schedules of Revenues and Expenses and Computation of Grantor Participation on Completed Projects
Year Ended June 30, 2013

Primary Grantor Agency	Illinois & Iowa Departments of Transportation	
Fund Title	QC Household Survey	Enhance Travel Demand Capabilities
Project Period	Year Ended June 30, 2013	Year Ended June 30, 2013
Revenue, state grants & support	6,032	3,125
Revenue, federal grants administered by state	24,126	12,501
Total revenue	30,158	15,626
Expenditures:		
Salaries	-	6,667
Fringe benefits	-	2,934
Printing	-	7
Travel and conference	-	2,803
Indirect costs	-	2,784
Consultant	30,158	431
Total expenditures	30,158	15,626
Revenue over expenditures	$ -	$ -
Participation in costs by primary grantor	80%	80%
Grant contract	$ 240,000	$ 150,000
Grant participation permissible	$ 24,126	$ 15,626
Grant funds received	-	-
Grant funds not yet received	24,126	15,626
Grant funds returned	$ -	$ -
Status	Incomplete	Incomplete
Participation in costs by primary grantor	20%	
Grant contract	$ 60,000	
Grant participation permissible	$ 6,032	
Grant funds received	-	
Grant funds not yet received	6,032	
Grant funds returned	$ -	
Status	Incomplete	

Illinois Department of Transportation		
Henry County Comp Plan	Henry, Mercer, Rock Island Evacuation Plan	
Year Ended June 30, 2013	Year Ended June 30, 2013	Cumulative
685	7,045	7,449
-	-	-
685	7,045	7,449
369	3,771	3,989
162	1,659	1,759
-	17	17
-	23	23
154	1,575	1,661
-	-	-
685	7,045	7,449
$ -	$ -	$ -
100%		100%
$ 37,579		$ 45,574
$ 685		$ 7,449
-		-
685		7,449
$ -		$ -
Incomplete		Incomplete

Bi-State Regional Commission

Schedules of Revenues and Expenses and Computation of Grantor Participation on Completed Projects Year Ended June 30, 2013

	Iowa Department of Transportation	
Primary Grantor Agency	Iowa Department of Transportation	
Fund Title	Highway Planning and Construction	Federal Transit Technical Study
Project Period	Year Ended June 30, 2013	Year Ended June 30, 2013
Revenue, general support	$ 51,227	$ 12,198
Revenue, federal grants administered by state	204,822	48,790
Total revenue	256,049	60,988
Expenditures:		
Salaries	130,889	32,386
Fringe benefits	57,591	14,250
Printing	1,546	54
Travel and conference	3,271	573
Indirect costs	54,659	13,525
Direct Program Costs	624	-
Miscellaneous	7,469	200
Total expenditures	256,049	60,988
Revenue over expenditures	$ -	$ -
Participation in costs by primary grantor	80%	80%
Grant contract	$ 216,209	$ 48,790
Grant participation permissible	$ 204,822	$ 48,790
Grant funds received	164,833	40,312
Grant funds not yet received	39,989	8,478
Grant funds returned	$ -	$ -
Status	Complete	Complete

Iowa Department of Transportation	
Intermodal Transportation For Nonurbanized Areas	Clean Air Attainment Program Outdoor Air Visable
Year Ended June 30, 2013	Year Ended June 30, 2013
$ 10,862	$ 1,872
43,196	7,487
54,058	9,359
28,279	5,023
12,443	2,210
811	28
328	-
11,809	2,098
249	-
139	-
54,058	9,359
$ -	$ -
80%	80%
$ 43,196	$ 50,000
$ 43,196	$ 7,487
38,502	-
4,694	7,487
$ -	$ -
Complete	Incomplete

Bi-State Regional Commission

Schedules of Revenues and Expenses and Computation of Grantor Participation on Completed Projects
Year Ended June 30, 2013

Primary Grantor Agency	Local Government	
Fund Title	Local Technical Services	General Local Support
Project Period	Year Ended June 30, 2013	Year Ended June 30, 2013
Revenue, general support	$ 861	$ 195,609
Revenue, state grants & support	5,427	-
Local	216,670	84,738
Other	-	1,488
Total revenue	222,958	281,835
Expenditures:		
Salaries	99,068	86,740
Fringe benefits	43,590	38,165
Printing	1,264	2,345
Travel and conference	105	9,868
Indirect costs	41,325	36,222
Consultant	-	113,000
Direct program costs	37,359	196,575
Miscellaneous	247	4,009
Total expenditures	222,958	486,924
Revenue over (under) expenditures	$ -	$ (205,089)
Status	Complete	Complete

Bi-State Regional Commission

Schedules of Revenues and Expenses and Computation of Grantor Participation on Completed Projects
Year Ended June 30, 2013

Primary Grantor Agency	Iowa Department of Economic Development		
Fund Title	COG Technical	Connect Nation	
Project Period	Year Ended June 30, 2013	Year Ended June 30, 2013	Cumulative
Revenue, general support	$ 20	$ 1,025	$ 1,025
Revenue, federal grants administered by state	-	(74)	1,107
Revenue, state grants and support	10,294	-	-
Total revenue	10,314	951	2,132
Expenditures:			
Salaries	5,317	508	1,143
Fringe benefits	2,340	223	515
Printing	6	9	-
Travel and conference	406	-	12
Indirect costs	2,220	211	462
Miscellaneous	25	-	-
Total expenditures	10,314	951	2,132
Revenue over expenditures	$ -	$ -	$ -
Participation in costs by primary grantor	100%		100%
Grant contract	$ 10,294		$ 2,890
Grant participation permissible	$ 10,294		$ 1,107
Grant funds received	725		1,107
Grant funds not yet received	9,569		-
Grant funds returned	$ -		$ -
Status	Complete		Complete

Bi-State Regional Commission

Schedules of Revenues and Expenses and Computation of Grantor Participation on Completed Projects
Year Ended June 30, 2013

Primary Grantor Agency	Economic Development Administration	
Fund Title	Planning Assistance	
Project Period	Year Ended June 30, 2013	Cumulative
Revenue, general support	$ 65,737	$ 123,221
Revenue, federal grants	65,737	123,221
Revenue, local	-	-
Total revenue	131,474	246,442
Expenditures:		
Salaries	60,620	111,944
Fringe benefits	26,673	50,282
Printing	1,731	4,829
Travel and conference	6,039	9,813
Indirect costs	25,315	45,547
Consultant	-	-
Direct program costs	749	749
Miscellaneous	10,347	23,278
Total expenditures	131,474	246,442
Revenue over expenditures	$ -	$ -
Participation in costs by primary grantor		50%
Grant contract		$ 184,884
Grant participation permissible		$ 123,221
Grant funds received		123,221
Grant funds not yet received		-
Grant funds returned		$ -
Status		Incomplete

Rural Housing Service

Rural Jobs Accelerator

Year Ended June 30, 2013	Year Ended June 30, 2013
$ -	$ -
18,865	20,598
18,866	20,598
37,731	41,196
22,078	11,194
9,714	4,925
325	-
1,117	801
3,179	1,612
-	18,025
-	-
1,318	4,639
37,731	41,196
$ -	$ -
50%	50%
$ 119,203	$ 74,297
$ 18,865	$ 20,598
-	14,727
18,865	5,871
$ -	$ -
Incomplete	Incomplete

Bi-State Regional Commission

Schedules of Revenues and Expenses and Computation of Grantor Participation on Completed Projects
Year Ended June 30, 2013

Primary Grantor Agency	Local Government
Fund Title	Municipal Code Enforcement System
Project Period	Year Ended June 30, 2013
Revenue, local	$ 387,190
Expenditures:	
Salaries	70,031
Fringe benefits	30,814
Printing	2,982
Travel	99
Indirect costs	29,245
Consultant	41,527
Miscellaneous	1,170
Total expenditures	175,868
Revenue over expenditures	$ 211,322
Status	Complete

Bi-State Regional Commission

Schedules of Revenues and Expenses and Computation of Grantor Participation on Completed Projects Year Ended June 30, 2013

Primary Grantor Agency	Department of Energy	
Fund Title	ILARC EECBG Admin	
Project Period	Year Ended June 30, 2013	Cumulative
Revenue, general support	$ 10	$ 10
Revenue, federal grants administered by state	1,511	467,228
Total revenue	1,521	467,238
Expenditures:		
Salaries	818	20,383
Fringe benefits	360	10,013
Printing	1	308
Travel	-	76
Indirect costs	342	8,184
Direct program costs	-	428,259
Miscellaneous	-	15
Total expenditures	1,521	467,238
Revenue over expenditures	$ -	$ -
Participation in costs by primary grantor		100%
Grant contract		$ 467,228
Grant participation permissible		$ 467,228
Grant funds received		467,228
Grant funds not yet received		-
Grant funds returned		$ -
Status		Complete

Bi-State Regional Commission

Schedules of Revenues and Expenses and Computation of Grantor Participation on Completed Projects
Year Ended June 30, 2013

	Economic Development Administration	
Primary Grantor Agency		
Fund Title	Bi-State Revolving Loan Fund	Mercer Muscatine Revolving Loan Fund
Project Period	Year Ended June 30, 2013	Year Ended June 30, 2013
Revenue, federal grants	$ -	$ 112,500
Revenue, local	-	37,500
Revenue, program income interest	28,191	1,156
Total revenue	$ 28,191	$ 151,156
Expenditures:		
Salaries	5,113	222
Fringe benefits	2,250	97
Printing	64	-
Indirect costs	2,135	93
Miscellaneous	420	-
Total expenditures	9,982	412
Revenue over expenditures	$ 18,209	$ 150,744
Status	Incomplete	Incomplete

Bi-State Regional Commission

Schedules of Revenues and Expenses and Computation of Grantor Participation on Completed Projects
Year Ended June 30, 2013

Primary Grantor Agency	Local Government
Fund Title	Rock Island County Waste Management Agency
Project Period	Year Ended June 30, 2013
Revenue, local	$ 48,726
Expenditures:	
Salaries	25,617
Fringe benefits	11,272
Printing	229
Travel and conference	910
Indirect costs	10,698
Total expenditures	48,726
Revenue over expenditures	$ -
Status	Complete

Bi-State Regional Commission

Schedules of Revenues and Expenses and Computation of Grantor Participation on Completed Projects Year Ended June 30, 2013

Primary Grantor Agency	Federal Transit Administration
Fund Title	Iowa QC Transit Planner
Project Period	Year Ended June 30, 2013
Revenue, federal grants administered by local governments	$ 76,199
Revenue, local	19,049
Total revenue	95,248
Expenditures:	
Salaries	50,089
Fringe benefits	22,039
Printing	124
Travel and conference	877
Indirect costs	20,917
Direct program costs	1,201
Miscellaneous	1
Total expenditures	95,248
Revenue over expenditures	$ -
Participation in costs by primary grantor	80%
Grant contract	$ 83,220
Grant participation permissible	$ 76,199
Grant funds received	62,860
Grant funds not yet received	13,339
Grant funds returned	$ -
Status	Complete

Bi-State Regional Commission

Schedules of Revenues and Expenses and Computation of Grantor Participation on Completed Projects
Year Ended June 30, 2013

Primary Grantor Agency	Iowa Department of Homeland Security		
Fund Title	Scott County Hazard Mitigation Plan		Muscatine County Hazard Mitigation Plan
Project Period	Year Ended June 30, 2013	Cumulative	Year Ended June 30, 2013
Revenue:			
General support	$ 1,415	$ 3,113	$ -
Federal grants administered by local governments	-	80,750	13,990
Total revenue	1,415	83,863	13,990
Expenditures:			
Salaries	762	42,857	7,484
Fringe benefits	335	21,758	3,293
Printing	-	1,171	72
Travel	-	569	15
Indirect costs	318	17,508	3,126
Total expenditures	1,415	83,863	13,990
Revenue over expenditures	$ -	$ -	$ -
Participation in costs by primary grantor		100%	100%
Grant contract		$ 80,750	$ 46,750
Grant participation permissible		$ 80,750	$ 13,990
Grant funds received		80,750	7,309
Grant funds not yet received		-	6,681
Grant funds returned		$ -	$ -
Status		Complete	Incomplete

Bi-State Regional Commission

Schedules of Revenues and Expenses and Computation of Grantor Participation on Completed Projects
Year Ended June 30, 2013

Primary Grantor Agency	United States Department of Housing and Urban Development	
Fund Title	East Moline CDAP Water Admin	
Project Period	Year Ended June 30, 2013	Cumulative
Revenue, general support	$ 38	$ 782
Revenue, federal grants administered by local governments	-	12,750
Total revenue	38	13,532
Expenditures:		
Salaries	20	6,932
Fringe benefits	10	3,647
Printing	-	67
Travel	-	8
Indirect costs	8	2,878
Total expenditures	38	13,532
Revenue over expenditures	$ -	$ -
Participation in costs by primary grantor		100%
Grant contract		$ 12,750
Grant participation permissible		$ 12,750
Grant funds received		12,750
Grant funds not yet received		-
Grant funds returned		$ -
Status		Complete

United States Department of Housing and Urban Development	
Silvis CDAP Admin	
Year Ended June 30, 2013	Cumulative
$ 171	$ 171
2,159	12,750
2,330	12,921
1,251	6,817
551	3,324
5	42
-	-
523	2,738
2,330	12,921
$ -	$ -
	100%
	$ 12,750
	$ 12,750
	12,407
	343
	$ -
	Incomplete

Bi-State Regional Commission

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Contract or Pass-Through Entity Identifying Number	Catalog of Federal Domestic Assistance Number	Expenditures
United States Department of Commerce			
Direct:			
Economic Development Administration:			
Support for Planning Organizations	06-83-05694	11.302	$ 65,737
Economic Adjustment Assistance	06-39-02167-02	11.307	1,163,410
Economic Adjustment Assistance	06-79-05507	11.307	113,477
Economic Adjustment Assistance	06-79-05769	11.307	18,865
Passed through:			
Iowa Association of Regional Councils, ARRA State Broadband Data and Development Grant Program	19-50-M09047	11.558	(74)
Total United States Department of Commerce			1,361,415
United States Department of Transportation			
Passed through:			
Illinois Department of Transportation:			
Highway Planning and Construction Program	PL-FTA-13	20.205	253,814
Federal Transit Technical Study Program	PL-FTA-13	20.505	74,376
Public Transportation for Non Urban Area Formula Grant	11BOB138	20.509	47,967
Public Transportation for Non Urban Area Formula Grant	13BOB148	20.509	1,128
Highway Planning and Research Program	13BOB18	20.205	12,501
City of Bettendorf, Federal Transit	N/A	20.207	76,199
Iowa Department of Transportation:			
Highway Planning and Construction Program	13-MPO-BSRC	20.205	204,822
Federal Transit Technical Study Program	13-MPO-BSRC	20.205	48,790
Intermodal Transportation for Nonurbanized Areas	13-RPA-09	20.515	43,196
Highway Planning and Construction Program	2011-ICAAP-003	20.205	7,487
Highway Planning and Construction Program	2012-ICAAP-08	20.205	24,126
Total United States Department of Transportation			794,406
Federal Emergency Management Agency			
Passed through Iowa Department of Homeland Security:			
Muscatine County, Pre-Diaster Mitigation Program	DR-4018-0003-01	97.039	13,990
Total Federal Emergency Management Agency			13,990
United States Department of Agriculture			
Direct:			
Rural Housing Service			
Rural Community Development Initiative	13-081-0057840795-0	10.466	$ 20,598
Total United States Department of Agriculture			$ 20,598

(Continued)

Bi-State Regional Commission

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Contract or Pass-Through Entity Identifying Number	Catalog of Federal Domestic Assistance Number	Expenditures
United States Department of Housing and Urban Development			
Passed through:			
City of Silvis, ARRA Community Development Assistance Prog	09-242022	14.228	2,159
Total United States Department of Housing and Urban Development			2,159
United States Department of Energy			
Passed through:			
Illinois Association of Regional Councils, ARRA Energy Efficiency and Conservation Block Grant Program	09-451001	81.128	1,511
Total United States Department of Energy			1,511
Total Expenditures of Federal Awards			$ 2,194,079

See Notes to Schedule of Expenditures of Federal Awards

Bi-State Regional Commission

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Commission for the year ended June 30, 2013. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies expended during the year are included in the schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Significant Accounting Policies

Revenue from federal awards is recognized when the Commission has done everything necessary to establish its right to the revenue. Expenditures of federal awards are recognized in the accounting period when the liability is incurred.

Note 3. Noncash Assistance and Loans Outstanding

The Commission had $1,241,251 of loan balances outstanding as of June 30, 2013 related to the EDA Revolving Loan Fund (CFDA 11.307). The current year $1,276,887 EDA Revolving Loan Fund (CFDA 11.307) expenditures, disclosed in the schedule of expenditures of federal awards, constituted 60 percent of the combined EDA Revolving Loan Fund of June 30, 2013 outstanding loan balances, June 30, 2013 cash and investment balances and June 30, 2013 administrative expenses.

Note 4. Subrecipients

Of the federal expenditures presented in the schedule, the Commission provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipient
		None

Bi-State Regional Commission

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2013

Finding	Status	Corrective Action Plan or Other Explanation

None reported.

Bohnsack & Frommelt LLP
Certified Public Accountants

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 Commissioners
Bi-State Regional Commission
Rock Island, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Bi-State Regional Commission and have issued our report thereon dated November 25, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bi-State Regional Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bi-State Regional Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Bi-State Regional Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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 that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bi-State Regional Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bi-State Regional Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bi-State Regional Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bohnsack & Frommelt LLP

Taylor Ridge, Illinois
November 25, 2013

Bohnsack & Frommelt LLP
Certified Public Accountants

Independent Auditor's Report on Compliance For Each Major Federal Program and On Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Commissioners
Bi-State Regional Commission
Rock Island, Illinois

Report on Compliance for Each Major Federal Program

We have audited Bi-State Regional Commission's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Bi-State Regional Commission's major federal programs for the year ended June 30, 2013. Bi-State Regional Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Bi-State Regional Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bi-State Regional 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Bi-State Regional Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, Bi-State Regional Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Bi-State Regional Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bi-State Regional Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 Bi-State Regional Commission's internal control over compliance.

A *deficiency in 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 reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Bohnsack & Frommelt LLP

Taylor Ridge, Illinois
November 25, 2013

Bi-State Regional Commission

Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Part I: Summary of the Independent Auditor's Results

a) Unmodified opinions were issued on the financial statements.

b) No significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.

c) The audit did not disclose any noncompliance which is material to the financial statements.

d) There were no significant deficiencies in internal control over major programs.

e) Unmodified opinions were issued on compliance with requirements applicable to each major program.

f) There were no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).

g) Major programs were as follows:

CFDA Number	Name of Federal Program or Cluster
11.307	Economic Adjustment Assistance

h) The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

i) Bi-State Regional Commission qualified as a low-risk auditee.

(Continued)

Bi-State Regional Commission

Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Part II: Findings Related to the Basic Financial Statements

Instances of noncompliance:

None reported.

Significant Deficiencies:

None reported.

Part III: Findings and Questioned Costs for Federal Awards

Significant Deficiencies over Federal Awards:

None reported.

Instances of Noncompliance:

None reported.

Bohnsack & Frommelt LLP
Certified Public Accountants

To the Board of Commissioners of
Bi-State Regional Commission
Rock Island, Illinois

In connection with our audit of the financial statements of the Bi-State Regional Commission as of and for the year ended June 30, 2013, we identified deficiencies in internal control over financial reporting (control deficiencies).

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or 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.

Following is a description of identified control deficiencies that we determined did not constitute significant deficiencies or material weaknesses:

Payroll

The position responsible for processing payroll currently has access to change rates and add new employees in the payroll system. We recommend in order to strengthen internal controls, the access to the master payroll file be removed within the access control levels from the payroll processing position.

Receipts

The Director of Administrative Services and the Finance/Human Resources Specialist have access to receipts as well as access to the general ledger and both employees perform reconciliation and monitoring activities. To improve the internal controls over receipts, we recommend the deposit is prepared and taken to the bank by the employee that is opening the mail and logging in the daily receipts. For the Municipal Code Enforcement receipts, we recommend requiring someone other than the Director of Administrative Services and the Finance/Human Resources Specialist to recount and verify the receipts. Both the employee collecting receipts and the employee performing the verification should sign the daily cash report.

Federal Reports

The Executive Director is provided copies of all reports required for the federal programs that are submitted throughout the year. An independent review of reports required for federal programs is a key control. We recommend the Executive Director manually sign copies of reports required for federal programs to indicate the key control was implemented and document the review process.

This communication is intended solely for the information and use of management, the Commission, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Bohnsack & Frommelt LLP

Taylor Ridge, Illinois
November 25, 2013