

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, 2013

Table of Contents

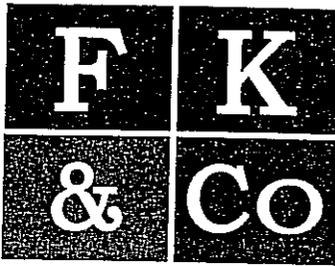
	Page
Officials	3
Independent Auditor's Report	5-6
Management's Discussion and Analysis	7-12
Basic Financial Statements:	
	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Position	A 14
Statement of Activities	B 15
Governmental Fund Financial Statements:	
Balance Sheet	C 16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D 17
Statement of Revenues, Expenditures and Changes in Fund Balances	E 18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 19
Fiduciary Fund Financial Statement:	
Statement of Fiduciary Net Position - Agency Fund	G 20
Notes to Financial Statements	21-32
Required Supplementary Information:	
Schedule of Funding Progress for the Retiree Health Plan	34
Supplementary Information:	
	<u>Schedule</u>
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	1 36
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	2 37
Schedule of Expenditures of Federal Awards	3 38-39
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 <u>Government Auditing Standards</u>	40-41
Independent Auditor's Report on Compliance for Each Major Program, on Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	42-43
Schedule of Findings and Questioned Costs	44-50

Area 15 Regional Planning Commission

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Greg Kenning	Chair	Wapello County
Mark Doland	Member	Mahaska County
Mike Hadley	Member	Keokuk County
Lee Dimmitt	Member	Jefferson County
Matt Greiner	Member	Davis County
Ted Nixon	Member	Van Buren County
Pat Miletich	Member	Small Cities
Bryan Ziegler	Member	Economic Development
John Helgerson	Member	Private Interest
Steve Evans	Member	Private Interest
Lawrence Rouw	Member	Private Interest
Ellen Foudree	Executive Director	

Area 15 Regional Planning Commission



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors of
Area 15 Regional Planning Commission:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Area 15 Regional Planning Commission (Commission), Ottumwa, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements 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 U.S. generally accepted accounting principles. 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 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 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 Commission'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 Commission'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Commission as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

-5-

Joel C. Faller, CPA

Alan Kincheloe, CPA

Ryan Roof, CPA

2721 SW 30th Street
(515) 362-5672

Des Moines, Iowa
CPA@FKCcpa.com

50321-1409
Fax (515) 362-5674

Other Matters

Required Supplementary Information

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 7 through 12 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 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (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.

The supplementary information is the responsibility of management and was derived from and relates 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 18, 2014 on our consideration of the 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 in considering the Commission's internal control over financial reporting and compliance.



Faller, Kincheloe & Co., PLC
Certified Public Accountants

February 18, 2014

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, 2013. We encourage readers to consider this information in conjunction with the Commission's financial statements, which immediately follow this section.

2013 FINANCIAL HIGHLIGHTS

- Revenues of the Commission decreased from \$505,615 in fiscal year 2012 to \$438,655 in fiscal year 2013, while expenditures decreased from \$571,406 in fiscal year 2012 to \$466,153 in fiscal year 2013. The Commission's fund balance decreased from \$1,246,812 at the end of fiscal year 2012 to \$1,219,314 at the end of fiscal year 2013.
- The fiscal year 2013 revenue decrease was the result of less grant money received in relation to a disaster assistance program.
- The fiscal year 2013 expenditure decrease was also the result of less money disbursed in relation to a disaster assistance program.

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 Position and a Statement of Activities. These provide information about the activities of the Commission as a whole and represent an overall view of the Commission's finances.

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 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.

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

REPORTING THE COMMISSION'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the Commission as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Commission's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the Commission's net position and how it has changed. Net position – the difference between the Commission's assets and liabilities – is one way to measure the Commission's financial health or financial position. Over time, increases or decreases in the Commission's net position is an indicator of whether financial position is improving or deteriorating. To assess the Commission's overall health, additional non-financial factors, such as changes in the Commission's members and the condition of equipment, need to be considered.

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.

The Commission has two kinds of funds:

- 1) *Governmental funds*: Most of the Commission's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Commission's programs.

The Commission's governmental funds include the General Fund and the Regional Economic Development Investments Inc. Revolving Loan Fund.

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

- 2) *Fiduciary funds*: The Commission is the trustee, or fiduciary, for assets that belong to others. This fund includes the Agency Fund. The Agency Fund is a fund through which the Commission administers and accounts for certain monies as a fiscal agent.

The Commission is responsible for ensuring the assets reported in the fiduciary funds 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 an Agency Fund is a Statement of Fiduciary Net Position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of the Commission's net position at June 30, 2013 compared to June 30, 2012.

Condensed Statement of Net Position			
(Expressed in Thousands)			
	June 30,		Total Change
	2013	2012	2012-2013
Current and other assets	\$ 1,272	1,295	-1.78%
Capital assets	8	7	14.29%
Total assets	<u>1,280</u>	<u>1,302</u>	<u>-1.69%</u>
Long-term liabilities	38	36	5.56%
Other liabilities	23	20	15.00%
Total liabilities	<u>61</u>	<u>56</u>	<u>8.93%</u>
Net position:			
Net investment in capital assets	8	7	14.29%
Restricted	1,069	1,119	-4.47%
Unrestricted	142	120	18.33%
Total net position	<u>\$ 1,219</u>	<u>1,246</u>	<u>-2.17%</u>

The Commission's combined net position decreased by 2.17% or approximately \$27,000 from the prior year.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The Commission's restricted net position decreased approximately \$50,000, or 4.47%, under the prior year.

Unrestricted net position – the part of net position that can be used to finance day to day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased approximately \$22,000, or 18.33%.

The following shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Changes in Net Position			
(Expressed in Thousands)			
			Total
	2013	2012	Change
			2012-2013
Revenues:			
Program revenues:			
Charges for service	\$ 149	130	14.62%
Operating grants, contributions and restricted interest	244	254	-3.94%
Capital grants, contributions and restricted interest	-	76	-100.00%
General revenues:			
Local dues	42	41	2.44%
Unrestricted investment earnings	3	3	0.00%
Total revenues	438	504	-13.10%
Program expenses:			
Community and economic development	465	571	-18.56%
Total expenses	465	571	-18.56%
Increase (decrease) in net position	(27)	(67)	-59.70%
Net position beginning of year	1,246	1,313	-5.10%
Net position end of year	\$ 1,219	1,246	-2.17%

As shown above, the Commission as a whole experienced a 13.10% decrease in revenues and an 18.56% decrease in expenses. The decrease in expenses was primarily due to the close out of a disaster recovery program in fiscal year 2012.

For the year ended June 30, 2013:

- The cost financed by the users of the Commission's programs was \$393,722.
- The net costs of governmental activities was financed with \$42,030 in local dues and \$2,903 in unrestricted interest earnings.

The cost of all activities this year was \$466,153 compared to \$571,406 last year. These costs were primarily financed by those who directly benefited from the programs and grants from the federal and state government.

Governmental Activities

Revenues for governmental activities were \$452,255 and expenses were \$478,437 for the year ended June 30, 2013. In a difficult budget year, the Commission was able to balance the budget by trimming expenses to match available revenues.

INDIVIDUAL FUND ANALYSIS

As previously noted, the 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 Commission completed the year, its governmental funds reported combined fund balances of \$1,241,470 only slightly below last year's ending fund balances of \$1,267,652.

Governmental Fund Highlights

- The General Fund balance decreased from \$318,194 to \$292,566. This decrease was primarily due to the relocation of the commission's offices and the subsequent equipment and relocation expenses incurred.
- The Regional Economic Development Investments, Inc. Revolving Loan Fund balance decreased from \$949,458 at the end of fiscal year 2012 to \$948,904 at the end of fiscal year 2013. This decrease is due to additional administrative costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the Commission had \$8,272 invested, net of accumulated depreciation, in equipment. This represents a net increase of 14.29% 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 \$2,780.

The original cost of the Commission's capital assets was \$26,937. The significant decrease in capital assets is due to the disposition of excess equipment due to the relocation of the Commission's office.

Long-Term Liabilities

At June 30, 2013, the Commission had \$38,478 in total long-term liabilities outstanding. This represents a net increase of 5.56% 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, 2013 consisted of compensated absences and Net OPEB liability.

ECONOMIC FACTORS BEARING ON THE COMMISSION'S FUTURE

The Commission's Executive Committee considered various factors when setting the fiscal year 2014 budget and fees that will be charged for agency activities. The Commission's 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 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, 224 East 2nd Street, Suite 2, P. O. Box 1110, Ottumwa, Iowa 52501.

Basic Financial Statements

Area 15 Regional Planning Commission

Exhibit A

Statement of Net Position

June 30, 2013

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 940,565
Accounts receivable	75,363
Interest receivable	552
Loans receivable, less allowance for loan losses	246,280
Prepaid expenses	9,356
Capital assets (net of accumulated depreciation)	<u>8,272</u>
Total assets	<u>1,280,388</u>
Liabilities	
Accounts payable	3,678
Accrued payroll and related taxes	10,343
Advanced payments - membership dues	3,898
Deferred revenue	4,677
Long - term liabilities:	
Portion due within one year:	
Compensated absences payable	32,088
Portion due after one year:	
Net OPEB liability	6,390
Total liabilities	<u>61,074</u>
Net Position	
Net investment in capital assets	8,272
Restricted for:	
Loan purposes	948,904
Housing purposes	98,407
Marketing purposes	19,012
Other purposes	3,024
Unrestricted	<u>141,695</u>
Total net position	<u>\$ 1,219,314</u>

See notes to financial statements.

Area 15 Regional Planning Commission

Exhibit B

Statement of Activities

Year ended June 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities
Functions / Programs:					
Governmental activities:					
Community and economic development	\$ 466,153	149,234	244,488	-	(72,431)
Total Primary Government	\$ 466,153	149,234	244,488	-	(72,431)
General Revenues:					
Unrestricted investment earnings					\$ 2,903
Local dues					42,030
Total general revenues					44,933
Change in net position					(27,498)
Net position beginning of year, as restated					1,246,812
Net position end of year					\$ 1,219,314

See notes to financial statements.

Area 15 Regional Planning Commission

Exhibit C

Balance Sheet

June 30, 2013

Assets	General	Special Revenue	
		Regional Economic Development Investments, Inc. Revolving Loan Fund	Total
Cash and cash equivalents	\$ 232,979	707,586	940,565
Accounts receivable	75,363	-	75,363
Interest receivable	-	552	552
Loans receivable, less allowance for loan losses	-	246,280	246,280
Prepaid expenses	9,356	-	9,356
Due from other funds	5,410	-	5,410
Total assets	\$ 323,108	954,418	1,277,526
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 3,574	104	3,678
Accrued payroll and related taxes	10,343	-	10,343
Due to other funds	-	5,410	5,410
Advanced payments - membership dues	3,898	-	3,898
Deferred revenue	12,727	-	12,727
Total liabilities	30,542	5,514	36,056
Fund balances:			
Nonspendable:			
Loans receivable	-	246,280	246,280
Prepaid expenses	9,356	-	9,356
Restricted for:			
Loan purposes	-	702,624	702,624
Housing purposes	98,407	-	98,407
Marketing purposes	19,012	-	19,012
Other purposes	3,024	-	3,024
Unassigned	162,767	-	162,767
Total fund balances	292,566	948,904	1,241,470
Total liabilities and fund balances	\$ 323,108	954,418	1,277,526

See notes to financial statements.

Area 15 Regional Planning Commission

Exhibit D

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

June 30, 2013

Total fund balances of governmental funds (page 16)	\$ 1,241,470
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Certain assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	8,050
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	8,272
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>(38,478)</u>
Net position of governmental activities (page 14)	<u>\$ 1,219,314</u>

See notes to financial statements.

Area 15 Regional Planning Commission

Exhibit E

Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2013

	General	Special Revenue Regional Economic Development Investments, Inc. Revolving Loan Fund	Total
Revenues:			
Use of money and property:			
Interest income	\$ 2,904	12,831	15,735
Charges for service:			
Late payment fees and penalty	-	1,381	1,381
Loan origination fees	-	2,452	2,452
Contract administration	139,482	-	139,482
	139,482	3,833	143,315
Intergovernmental:			
Federal funds	178,293	-	178,293
State funds	43,882	-	43,882
Memberships dues and fees	42,030	-	42,030
	264,205	-	264,205
Miscellaneous	29,000	-	29,000
Total revenues	435,591	16,664	452,255
Expenditures:			
Operating:			
Community and economic development			
Personnel	256,347	-	256,347
Fringe benefits	74,484	-	74,484
Travel	5,344	-	5,344
Phone	2,297	-	2,297
Printing and postage	2,614	-	2,614
Supplies	1,827	-	1,827
Equipment	5,561	-	5,561
Contractual	64,259	2,639	66,898
Office relocation	3,289	-	3,289
Other	16,828	729	17,557
Administration	-	13,850	13,850
Bad debt	6,457	-	6,457
Indirect costs	21,912	-	21,912
Total expenditures	461,219	17,218	478,437
Net change in fund balances	(25,628)	(554)	(26,182)
Fund balances beginning of year	318,194	949,458	1,267,652
Fund balances end of year	\$ 292,566	948,904	1,241,470

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, 2013

Net change in fund balances - total governmental funds (page 18) \$ (26,182)

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

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

Expenditures of capital assets	\$ 4,180	
Depreciation expense	<u>(2,780)</u>	1,400

Certain accounts receivable not collected for several months after year end is not considered available revenue and is deferred in the governmental funds. 247

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	(1,258)	
Other postemployment benefits	<u>(1,705)</u>	<u>(2,963)</u>

Change in net position of governmental activities (page 15) \$ (27,498)

See notes to financial statements.

Area 15 Regional Planning Commission

Exhibit G

Statement of Fiduciary Net Position
Agency Fund

June 30, 2013

Assets

Cash and cash equivalents

\$ 67

Total assets

67

Liabilities

Due to other governments

67

Total liabilities

67

Net Position

\$ -

See notes to financial statements.

Area 15 Regional Planning Commission

Notes to Financial Statements

June 30, 2013

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 Commission. In exchange for these member government contributions, the 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 Commission functions as the comprehensive planning and review agency for the Commission's region, and is available to assist member governments in any other manner that they may direct.

The financial statements of the Commission have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the 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 Commission (the primary government) and its component unit. The component unit discussed below is 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.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position (previously referred to as 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.

Note 1. Summary of Significant Accounting Policies (continued)

The Statement of Net Position presents the Commission's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories.

Net investment in capital assets 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 position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has 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 position and changes in net position. 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.

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.

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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 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.

Loans Receivable - Loans receivable, are carried at the original loan amount less an estimate made for loan losses based on a review of all outstanding amounts on a yearly basis. Management determines the allowance for loan losses by identifying troubled loans and by using historical experience applied to an aging of loans. Loans receivable are written off when deemed uncollectible. Recoveries of loan receivables previously written off are recorded as income when received. The allowance for loan losses at June 30, 2013 was \$61,405. This amount consists of \$6,457 for the Commission and \$54,948 for the Regional Economic Development Investments, Inc., to total \$61,405.

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 Position. 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 unspent grant proceeds, as well as other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Position consists of unspent grant proceeds that will not be recognized as revenue until the year for which it is levied.

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, 2013.

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, 2013, 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 Position.

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.

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 Cash Equivalents

Primary Government:

The Commission's deposits in banks at June 30, 2013 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 Cash Equivalents (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, 2013, 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.

Note 3. Accounts Receivable

Amounts shown as accounts receivable at June 30, 2013 consist of the following:

<u>Source</u>	<u>Amount</u>
State of Iowa	\$ 25,867
Economic Development Administration	14,391
Cardinal Schools	6,306
City of Keota	5,906
City of Bloomfield	1,685
City of Eddyville	2,441
City of Blakesburg	2,502
City of Bonaparte	1,217
City of Fremont	964
Davis County	5,170
AHEAD, Inc.	8,914
	<u>\$ 75,363</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, 2013 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue:	
	Regional Economic Development	
	Investments Inc. Revolving	
	Loan Fund	<u>\$ 5,410</u>

The above represents transactions in the normal course of operations.

Note 5. Loans Receivable

Primary Government:

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 repayments 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. The loan borrowers for these loans have not made any payments on these loans in several years. The loans receivable balances on these loans were \$6,457 at June 30, 2013, less allowance for loan losses of \$6,457, with a net loan balance of \$0.

Blended Component Unit:

The following 10 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, 2013
Loan #1	\$ 48,000	60 monthly payments of \$905.82 including interest at 5%. Final payment due in May, 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	125,000	60 monthly payments of \$209.86 including interest at 4%. Final payment due in October, 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.	5,430
Loan #3	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, equipment, accounts receivable, inventory, and all other general intangibles. Personal guarantee of corporate owner.	67,183
Loan #4	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 corporate owners.	28,105

Note 5. Loans Receivable (continued)

	Original Amount	Repayment Terms	Security	Balance June 30, 2013
Loan #5	\$ 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 corporate owners.	\$ 20,539
Loan #6	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 #7	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.	7,967
Loan #8	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 of owners.	12,795
Loan #9	150,000	60 monthly payments of \$2,762.48 including interest at 4%. Final payment due in September, 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 of owners.	129,364
Loan #10	13,500	60 monthly payments of \$254.76 including interest at 5%. Final payment due in October, 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 of owners.	12,194
			Subtotal	301,228
			Less Allowance for Loan Losses	(54,948)
			Net loans receivable	<u>\$ 246,280</u>

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets				
Equipment	\$ 38,515	4,180	15,758	26,937
Less accumulated depreciation				
Equipment	31,643	2,780	15,758	18,665
Total capital assets depreciated, net	<u>\$ 6,872</u>	<u>1,400</u>	<u>-</u>	<u>8,272</u>

Depreciation expense for the year totaled \$2,780.

All of the capital assets are owned by the primary government. The blended component unit did not have any capital assets during the fiscal year.

Note 7. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Compensated absences	\$ 30,830	32,088	30,830	32,088	32,088
Net OPEB liability	4,685	4,705	3,000	6,390	-
Total	<u>\$ 35,515</u>	<u>36,793</u>	<u>33,830</u>	<u>38,478</u>	<u>32,088</u>

All of the long-term liabilities were incurred by the primary government. The blended component unit did not have any long-term liabilities during the fiscal year.

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 expires on June 30, 2016, and the postage machine lease expires on December 31, 2014. Office space rental expense totaled \$10,994 for the year ended June 30, 2013. Postage machine rental expense totaled \$660 for the year ended June 30, 2013. In addition, at June 30, 2013, prepaid rent expense totaled \$2,280.

Future minimum lease payments in relation to the office space and postage machine leases are as follows:

Year Ended June 30 -	Amount
2014	\$ 7,500
2015	9,450
2016	<u>9,120</u>
Total	<u>\$ 26,070</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 5.78% of their annual covered salary and the Commission is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The Commission's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$22,074, \$19,646 and \$17,841 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 no 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, 2013, the amount actually contributed to the plan and changes in the Commission's net OPEB obligation:

Annual required contribution	\$ 5,000
Interest on net OPEB obligation	211
Adjustment to annual required contribution	<u>(506)</u>
Annual OPEB cost	4,705
Contributions made	<u>(3,000)</u>
Increase in net OPEB obligation	1,705
Net OPEB obligation beginning of year	<u>4,685</u>
Net OPEB obligation end of year	<u>\$ 6,390</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, 2013.

For the year ended June 30, 2013, the Commission contributed \$3,000 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

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 obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 5,000	60.0%	\$ 5,000
2012	4,685	64.0%	4,685
2013	4,705	63.8%	6,390

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, 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 \$255,000 and the ratio of the UAAL to covered payroll was 14.5%. As of June 30, 2013, 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. Annual retirement and termination probabilities were developed from the retirement probabilities from Table 1 in GASB paragraph 35 (b).

Projected claim costs of the medical plan are \$1,322 per month 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. Related Party Transactions

The Commission had business transactions between the Commission and Commission employees totaling \$2,280 during the year ended June 30, 2013.

Note 12. Risk Management

The 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.

It is not clear if the Regional Economic Development Investments, Inc. had director's and officer's liability coverage in fiscal year 2013. It is undeterminable the amount of risk and potential liability this might have on the Regional Economic Development Investments Inc. The Regional Economic Development Investments, Inc. knows of no claims filed against them during fiscal year 2013. Amounts for potential losses as a result of the failure to have director's and officer's liability insurance 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, is unable to 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 13. Mortgage Liens

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

Note 14. Contingencies

The Commission and the component unit 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 unit. 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 unit.

Note 15. Subsequent Events

The Commission has evaluated subsequent events through February 18, 2014, which is the date the financial statements were available to be issued.

Note 16. Restatement

In the prior fiscal year, AHEAD, Inc. was reported as a discretely presented component unit. However, based on the activities of AHEAD, Inc. and the criteria established by Governmental Accounting Standards Board Statement No. 61, The Financial Reporting Entity : Omnibus, AHEAD, Inc. is no longer a discretely presented component unit. The following documents the change in presentation during the fiscal year:

	Balance, June 30, 2012, as previously reported	Reclassification	Balance July 1, 2012, as restated
Government - wide Financial Statements: Discretely Presented Component Unit	\$ 457,975	(457,975)	-

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%
2013	July 1, 2010	-	37	37	0.0%	255	14.5%

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, 2013

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and cash equivalents	\$ 367	18,261	18,561	67
Total Assets	<u>\$ 367</u>	<u>18,261</u>	<u>18,561</u>	<u>67</u>
Liabilities:				
Due to other governments	\$ 367	18,261	18,561	67
Total Liabilities	<u>\$ 367</u>	<u>18,261</u>	<u>18,561</u>	<u>67</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 Ten Years

	Modified Accrual Basis									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Use of money and property	\$ 15,735	17,559	28,541	35,754	35,532	49,905	55,128	45,083	35,362	37,317
Charges for service	143,315	140,674	79,354	103,907	86,431	58,423	80,350	121,005	123,320	92,106
Intergovernmental	264,205	338,866	784,731	340,079	845,041	195,415	178,244	173,966	171,466	207,080
Miscellaneous	29,000	54,145	22,886	34,066	56,104	29,117	39,092	8,940	4,665	30,862
Total	\$ 452,255	551,244	915,512	513,806	1,023,108	332,860	352,814	348,994	334,813	367,365
Expenditures:										
Operating:										
Community and economic development	\$ 478,437	567,035	773,207	539,048	989,948	387,395	323,711	368,947	373,073	442,097
	\$ 478,437	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, 2013

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	05-83-04981-02	\$ 61,000
Economic Adjustment - Technical Assistance	11.303	05-06-05282	25,000
Economic Adjustment Assistance	11.307	N/A	765,829
	Total direct		851,829
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	76,256
U.S. Department of Transportation - Iowa Department of Transportation - Highway Planning and Construction	20.205	13-RPA-15	55,474
Formula Grants For Rural Areas	20.509	13-RPA-15	22,439
U.S. Department of Health and Human Services - Passed through Iowa Department of Public Health and the City of Oskaloosa, Iowa - Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	N/A	3,276
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	17,784
	Total indirect		175,229
	Total		\$ 1,027,058

See accompanying independent auditor's report.

Area 15 Regional Planning Commission

Schedule of Expenditures of Federal Awards

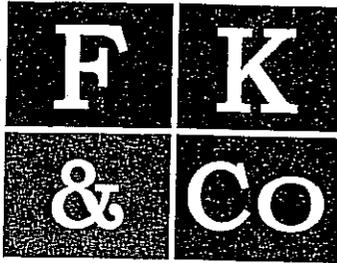
Year ended June 30, 2013

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, 2013	\$	301,228
Cash and Investment balance at June 30, 2013		707,586
Administrative expenses paid out in fiscal year		17,218
Unpaid principal of loans written off during the fiscal year		3,051
Total	\$	1,029,083
 Federal percentage		 74.4186%
Amount included on Schedule of Expenditures of Federal Awards	\$	765,829

See accompanying independent auditor's report.



FALLER, KINCHELOE & CO, PLC

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 Board of Directors of
Area 15 Regional Planning Commission:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2013, and the related notes to financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated February 18, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses.

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 described in the accompanying Schedule of Findings and Questioned Costs as items II-A-13, II-B-13 and II-C-13 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 which 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, 2013 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.

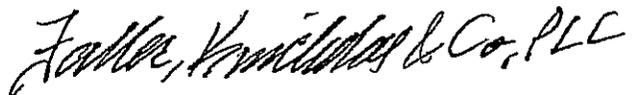
The Commission's Responses to Findings

The Commission's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

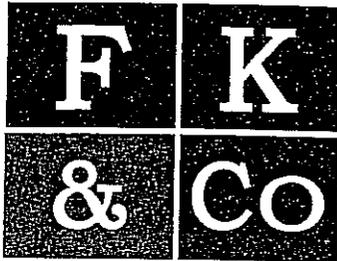
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed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

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



Faller, Kincheloe & Co., PLC
Certified Public Accountants

February 18, 2014



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report on Compliance
for Each Major Program, on Internal Control over Compliance
and on the Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133

To the Board of Directors of
Area 15 Regional Planning Commission:

Report on Compliance for Each Major Federal Program

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 the Commission's major federal program for the year ended June 30, 2013. The Commission's major federal program is identified in Part I 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 in compliance for the Commission's major federal program based on our audit of the types of compliance requirements referred to above. 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 the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2013.

Report on Internal Control Over Compliance

The management of the 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 the Commission's internal control over compliance with requirements that could have a direct and material effect on the major federal program in order to determine our auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 the Commission's internal control over compliance.

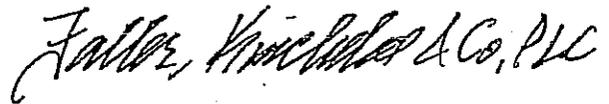
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, material weaknesses and significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be material weakness and another deficiency we consider to be a significant deficiency.

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 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 deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-13 to be a material weakness.

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 in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-B-13 to be a significant deficiency.

The Commission's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Commission's responses were not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

This 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.



Faller, Kincheloe & Co., PLC
Certified Public Accountants

February 18, 2014

Area 15 Regional Planning Commission
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

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

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

Area 15 Regional Planning Commission
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-13 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although two individuals are involved in the accounting duties of the Area 15 Regional Planning Commission (Commission) there is insufficient segregation of duties to prevent one individual from having control over each of the following areas for the Commission:

- 1) Cash – reconciling bank accounts, initiating cash receipts and handling and recording cash.
- 2) Receipts – collecting, depositing, posting and reconciling.
- 3) Accounting system – performing all general accounting functions and having custody of Commission assets.
- 4) Payroll – recordkeeping, preparation and distribution.

Recommendation – We realize with a limited number of office employees, segregation of duties is difficult. However, the Commission should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Evidence of review of reconciliations should be indicated by initials of the independent reviewer and date of the review.

Response – The Commission will review its control procedures to obtain the maximum internal control possible with the limited staff it has.

Conclusion – Response acknowledged.

II-B-13 Preparation of Full Disclosure Financial Statements – Internal controls over financial reporting include the actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by generally accepted accounting principles. The Commission does not have the internal resources to prepare the full-disclosure financial statements required by generally accepted accounting principles for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with governance to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

Recommendation – We recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles in preparing full-disclosure financial statements for external reporting purposes is difficult. However, we recommend that Commission officials continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than to rely on external assistance.

Response – We recognize our limitations; however, it is not fiscally responsible to hire additional staff for this purpose.

Conclusion – Response acknowledged.

Area 15 Regional Planning Commission
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

II-C-13 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 acknowledged

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

Area 15 Regional Planning Commission
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-13 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-13 Travel Expense – No expenditures of Area 15 Regional Planning Commission (Commission) money for travel expenses of spouses of Commission officials or employees were noted.

IV-C-13 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not, except that transfers between funds were not approved by the Board.

Recommendation – The Board should approve all interfund transfers.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

IV-D-13 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 2013, it does not appear the Commission had a depository resolution in effect.

The Commission does not have an investment policy, as required by Chapter 12B.10 of the Code of Iowa.

Recommendation – The Commission should implement procedures to ensure compliance with the Code of Iowa in relation to the depository resolution and the investment policy.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

IV-E-13 Non-Performing Loans – The Commission has three residential home loans in which the borrowers have quit making their loan payments to the Commission. It does not appear the Commission has been very aggressive in pursuing the borrowers of the non-performing loans. For example, the Commission could be obtaining wage or bank account judgments against the borrowers.

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

Response – We will review this in more detail.

Conclusion – Response acknowledged.

Area 15 Regional Planning Commission

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

IV-F-13 Insurance – Based on our review of the insurance policies, it is unclear if Regional Economic Development Investments, Inc. was covered by director's and officer's liability insurance coverage.

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

Response – We will clarify with our insurance carrier as to whether Regional Economic Development Investments, Inc. has director's and officer's liability insurance coverage.

Conclusion – Response acknowledged.

IV-G-13 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 back of the cancelled checks, as required.

Recommendation – The Commission should 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 acknowledged.

IV-H-13 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, 2013, approximately \$6,000 of these grant funds were not spent.

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 should 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.

Response – We will implement the above recommendations.

Conclusion – Response acknowledged.

Area 15 Regional Planning Commission
Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

IV-I-13 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 should 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 acknowledged.

Area 15 Regional Planning Commission
Summary Schedule of Prior Federal Audit Findings
Year Ended June 30, 2013

Comment Reference	Comment Title	Status	If not corrected, planned corrective action or other explanation
III-A-10 III-A-11 III-A-12	Monitoring of Loans	Not corrected.	In the process of implementation.
III-B-10	Economic Adjustment Assistance Grant	Corrective action taken.	
III-B-11 III-B-12	Excess Funds	Corrective action taken.	
III-D-11 III-C-12	Non-Performing Loans	Not corrected	In the process of implementation.

Area 15 Regional Planning Commission

Corrective Action Plan for Federal Audit Findings

Year Ended June 30, 2013

Comment Number	Comment Title	Corrective Action Plan	Contact Person, Title, Phone Number	Anticipated Date of Completion
III-A-13 (2013-001)	Monitoring of Loans	We will set up a checklist, and be more vigilant, to ensure all documents required on the loans are obtained.	Chris Bowers Executive Director (641) 684-6551	Immediately
III-C-13 (2013-002)	Non-Performing Loans	Our Board will address this issue and implement a policy in relation to this.	Chris Bowers Executive Director (641) 684-6551	Immediately