

**NORTHWEST IOWA PLANNING AND
DEVELOPMENT COMMISSION
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2013**

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Independent Auditors' Report

To the Board of Directors of
Northwest Iowa Planning and Development Commission
Spencer, IA 51301

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Northwest Iowa Planning and Development Commission, Spencer, IA, 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 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.

Auditors' Responsibility

Our responsibility is to express opinions 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 qualified audit opinion.

Basis for Qualified Opinion

As more fully described in Note 7, the Commission's footnotes to the financial statements do not disclose the net annual required contribution for other postemployment benefits (OPEB), or the OPEB net obligation as required by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions*. The effect of this departure from accounting principles generally accepted in the United States of America on the financial statements of Northwest Iowa Planning and Development Commission is not reasonably determinable.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Northwest Iowa Planning and Development Commission as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 5 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 opinions on the financial statements that collectively comprise Northwest Iowa Planning and Development Commission's basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards general accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2013, on our consideration of the 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 the Commission's internal control over financial reporting and compliance.

Williams + Company, P.C.
Certified Public Accountants

Spencer, Iowa
December 24, 2013

NORTHWEST IOWA PLANNING AND DEVELOPMENT COMMISSION (NWIPDC) MANAGEMENT'S DISCUSSION AND ANALYSIS

Northwest Iowa Planning and Development Commission (NWIPDC) is a membership-supported organization of local governmental bodies in the Northwest Iowa counties of Buena Vista, Clay, Dickinson, Emmet, Kossuth (Workforces Investment Act only), Lyon, O'Brien, Osceola, Palo Alto, and Sioux. NWIPDC's purpose is to provide technical, planning, and developmental assistance to local governments that comprise its respective region. The regional planning effort facilitated by NWIPDC has led to economics of scale, greater efficiencies, and more uniformity in the delivery of services throughout the region than would be experienced individually, which is the premise of regional service delivery.

As management of NWIPDC, we offer a narrative overview and analysis of the financial activities for the year ended June 30, 2013. We also address significant known or anticipated events, conditions, trends, and contingencies that affect the agency going forward. The financial statements of NWIPDC consist of the operations of Northwest Iowa Planning and Development Commission and of the Workforce Investment Act (WIA) programs administered by NWIPDC. Not included in this audit is the Northwest Iowa Regional Housing Trust Fund, which is a separate entity and is therefore separately audited.

FINANCIAL HIGHLIGHTS

Fiscal year 2013 saw the ramifications of the State induced programmatic changes come to light. In FY 2012, the State of Iowa took back administration of the Promise Jobs Program which resulted in the reduction in training division staff by 2 FTE starting July 1, 2013. This loss had dramatic changes to the agency's service delivery leaving only 2 line staff to assist with the new integrated model service delivery with Iowa Workforce Development. On a positive note, in regards to the training division, the agency was selected as the WIA service provider for Buena Vista County starting in January 2013 with funding for services arriving in July 2014. This expanded the Service Delivery Area to 9 full counties and did help to offset some of the funding lost from the Promise Jobs Program. The planning division demonstrated an increase in funding through a successful grant season, an increased demand for contract services, new zoning administration contracts and water trails planning. The traditional programs of the planning division remained relatively stable with only a slight decrease in Economic Development Administration funding due to sequestration.

USING THIS ANNUAL REPORT

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

- Management's Discussion and Analysis introduces the basic financial statements and provides and analytical overview of the financial activities.
- Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of NWIPDC as a whole and present an overall view of the finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending.
- Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Other Supplementary Information consists of the Schedule of Expenditures of Federal Awards which provides details of various federal programs benefiting NWIPDC.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position:

The total net position of NWIPDC exceeded the liabilities at June 30, 2013 by \$863,680, an increase of \$53,038 from June 30, 2012. Of total net assets, \$548,996 is unrestricted and may be used to meet NWIPDC's ongoing obligations.

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Net Change</u>
Current and Other Assets	\$ 918,459	\$ 871,611	\$ 46,848
Capital Assets	41,657	31,020	10,637
Total Assets	<u>960,116</u>	<u>902,631</u>	<u>57,485</u>
Long-Term Obligations	53,787	51,460	2,327
Other Liabilities	42,649	40,529	2,120
Total Liabilities	<u>96,436</u>	<u>91,989</u>	<u>4,447</u>
 Net Position:			
Net Investment in Capital Assets	41,657	31,020	10,637
Restricted	273,027	268,473	4,554
Unrestricted	548,996	511,149	37,847
Total Net Position	<u>\$ 863,680</u>	<u>\$ 810,642</u>	<u>\$ 53,038</u>

Statement of Activities:

- For the period ended June 30, 2013, total revenues from grants, charges for services, and general revenues were \$1,596,570. Expenses were \$1,543,532, providing an increase in net position of \$53,038.
- Total revenue decreased by 8.0% and total expenses decreased by 8.5% from fiscal year 2012.
- Revenues from grants decreased by 16.2% from June 30, 2012 to June 30, 2013 due to a loss in funding for Promise Jobs and the completion of NEG projects.
- Revenue from charges for services increased by 8.4% from June 30, 2012 to June 30, 2013 due to an increase in planning services they are providing.
- Expenses decreased due to no expenses related to Promise Jobs.

	<u>Year Ended June 30, 2013</u>	<u>Year Ended June 30, 2012</u>	<u>Net Change</u>
Revenue from Grants	\$ 974,036	\$ 1,163,077	\$ (189,041)
Revenue from Charges for Services	614,286	566,945	47,341
General Revenues	8,248	5,961	2,287
Total Revenue	<u>1,596,570</u>	<u>1,735,983</u>	<u>(139,413)</u>
Total Expenses	<u>1,543,532</u>	<u>1,686,506</u>	<u>(142,974)</u>
Change in Net Position	<u>\$ 53,038</u>	<u>\$ 49,477</u>	<u>\$ 3,561</u>

In fiscal year 2013, services of the Commission continued to provide the quality service that has been the tradition of the agency since its inception 39 years ago. The demand for new services increased and the traditional community programs remained very strong. In addition, staff was very successful with block grants both in the water/sewer/community facilities and housing programs. While the grant programs are very volatile and an agency can see revenues bottom out as fast as they arrive, it's always good to see a

positive swing in successful projects. Looking ahead for FY 2014, the Commission is working to strengthen its new administrative programs and expand its work into water trails planning with the IDNR and respective County Conservations Boards in Sioux, Lyon, Dickinson, Clay, Buena Vista, O'Brien, Emmet and Palo Alto Counties. This will mark the first time NWIPDC has been involved in such a program.

ECONOMIC FACTORS

Fiscal year 2013 marked some significant changes to the agency and its service delivery. As previously noted, as of April 1, 2012, NWIPDC was no longer the service provider for the Promise Jobs Program, as it had been since the program's inception. As a result of this programmatic revenue loss, two full-time positions were eliminated, reducing the training division to a director, two line staff, and one grant-funded position. This marked the first time in over 15 years that training staff numbers had seen a decrease. However, on a positive note, Buena Vista County was officially added back to the SDA for Workforce Investment Act administration in January of 2013 with funding beginning July 1, 2014. Bringing Buena Vista County back for WIA services provided a much needed influx of funding to the training division and allowed some future breathing room for staff in the upcoming years, unless major changes to the WIA program are forthcoming. Moreover, it brought back a county that was in dire need of effective WIA service delivery, which the agency and its solid staff can provide.

In addition, the planning division lost one FTE not to loss of revenue, but from an employee's decision to move on with their career. This FTE was absorbed by current staff and management does not see the need to replace this position in the short term. Planning work levels and funding seem very solid for 2013 and for the upcoming year.

Management looks forward to another year of trying to increase the role that NWIPDC plays in improving the lives of Northwest Iowans. In the year ahead, we will continue to pursue new services that meet members' needs and increase service quality and employee productivity.

This discussion and analysis attempts to provide a summary view of the 2013 fiscal year as well as some insights into management's assessment of the opportunities and challenges NWIPDC may see in the 2014 fiscal year and beyond. The reader is encouraged to review these schedules and the audit report in its entirety.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

If you have questions about this report or need additional financial information, contact Ted Kourousis, Executive Director, Northwest Iowa Planning and Development Commission, 217 West 5th Street, Spencer, Iowa, 51301.

**NORTHWEST IOWA PLANNING AND DEVELOPMENT COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2013**

Assets

Current Assets	
Cash - Unrestricted	\$ 356,502
Cash - Restricted	64,754
Accounts Receivable:	
Grantor Agencies	162,170
Other Sources	113,108
Interest Receivable	13,653
Notes Receivable - EDA/RLF, Net of \$25,000 allowance for uncollectible accounts	<u>72,474</u>
Total Current Assets	<u>782,661</u>
Noncurrent Assets	
Notes Receivable (Net of Current Portion)	135,798
Capital Assets, Net of Accumulated Depreciation	<u>41,657</u>
Total Noncurrent Assets	<u>177,455</u>
Total Assets	<u><u>960,116</u></u>

Liabilities

Current Liabilities	
Accounts Payable	9,763
Wages Payable	26,910
Compensated Absences	<u>5,976</u>
Total Current Liabilities	<u>42,649</u>
Noncurrent Liabilities	
Compensated Absences	<u>53,787</u>
Total Noncurrent Liabilities	<u>53,787</u>
Total Liabilities	<u><u>96,436</u></u>

Net Position

Net Investment in Capital Assets	41,657
Restricted For:	
EDA/RLF program	273,027
Unrestricted	<u>548,996</u>
Total Net Position	<u><u>\$ 863,680</u></u>

See Accompanying Notes to Financial Statements

**NORTHWEST IOWA PLANNING AND DEVELOPMENT COMMISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Total</u>
		<u>Charges For Services</u>	<u>Operating Grants</u>	
Governmental Activities:				
Administration	\$ 1,543,532	\$ 614,286	\$ 974,036	\$ 44,790
General Revenues:				
Interest Income				8,248
Total General Revenues				8,248
Change in Net Position				53,038
Net Position - Beginning				791,861
Prior Period Adjustment				18,781
Net Position - Beginning, as Restated				810,642
Net Position - Ending				\$ 863,680

See Accompanying Notes to Financial Statements

**NORTHWEST IOWA PLANNING AND DEVELOPMENT COMMISSION
GOVERNMENTAL FUND
BALANCE SHEET
JUNE 30, 2013**

Assets

Current Assets

Cash	\$	421,256
Accounts Receivable, Grantor Agencies		
Grantor Agencies		162,170
Other Sources		113,108
Interest Receivable		13,653
Notes Receivable - EDA/RLF, Net of \$25,000 Allowance for Uncollectible Accounts		72,474
Total Current Assets		782,661

Noncurrent Assets

Notes Receivable		135,798
Total Noncurrent Assets		135,798

Total Assets		918,459
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Liabilities and Fund Balances

Liabilities

Accounts Payable		9,763
Wages Payable		26,910
Compensated Absences		5,976
Total Liabilities		42,649

Fund Balances

Restricted for EDA/RLF Program		273,027
Unassigned		602,783
Total Fund Balances		875,810

Total Liabilities and Fund Balances	\$	918,459
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See Accompanying Notes to Financial Statements

**NORTHWEST IOWA PLANNING AND DEVELOPMENT COMMISSION
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2013**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance - Governmental Funds (page 8)	\$ 875,810
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	41,657
Compensated absences are not due and payable in the current period and therefore are not reported in the fund.	<u>(53,787)</u>
Total Net Position - Governmental Activities (page 6)	<u><u>\$ 863,680</u></u>

See Accompanying Notes to Financial Statements

**NORTHWEST IOWA PLANNING AND DEVELOPMENT COMMISSION
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2013**

Revenues

State and Federal Grants	\$ 974,036
Public Support and Special Projects	552,923
Local Dues	61,363
Interest Income	8,248
Total Revenues	<u>1,596,570</u>

Expenditures

Salaries	826,476
Contract Labor	13,765
Employee Benefits	189,656
Payroll Taxes	61,662
Insurance	11,892
Professional Services	20,369
Dues and Subscriptions	13,823
Office Expense and Postage	16,288
Employee Training	15,955
Miscellaneous	8,282
IT Charges	6,090
Engineering Fees	6,325
Repairs and Maintenance	7,327
Telephone	7,857
Utilities	5,910
Rent	50,123
Travel and Auto	25,866
Bad Debt Expense	1,000
Equipment Lease	14,605
Participant Training	145,146
Participant Support	82,367
Purchase of Capital Assets	21,058
Total Expenditures	<u>1,551,842</u>

Net Change in Fund Balance 44,728

Fund Balance at Beginning of Year 812,301

Prior Period Adjustment 18,781

Fund Balance - Beginning of Year, Restated 831,082

Fund Balance at End of Year \$ 875,810

See Accompanying Notes to Financial Statements

**NORTHWEST IOWA PLANNING AND DEVELOPMENT COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2013**

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net Change in Fund Balances - Total Governmental Funds (page 10)		\$ 44,728
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Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	21,058	
Depreciation expense	<u>(9,820)</u>	11,238

Governmental Funds report only the proceeds from the sale of capital assets as revenue whereas the statement of activities reports the gain or loss on the sale or disposal of fixed assets. This is the effect on the change in net assets on the statement of activities.		(601)
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Compensated absences are not due and payable in the current period and therefore are not reported in the fund.		<u>(2,327)</u>
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Change in Net Position - Governmental Activities (page 7)		<u><u>\$ 53,038</u></u>
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**NORTHWEST IOWA PLANNING AND DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Northwest Iowa Planning and Development Commission (Commission) is the regional planning and intergovernmental coordination agency in the Northwest Iowa region organized in 1973 under Chapter 473A and Chapter 28E of the Iowa Code. The Commission is the regional planning and coordination agency for Buena Vista, Clay, Dickinson, Emmet, Lyon, O'Brien, Osceola, Palo Alto, and Sioux counties of Iowa.

A. Reporting Entity

For financial reporting purposes, the Commission has included all funds, organizations, 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. The Commission has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Government-wide financial statements – The Statement of Net Position and the Statement of Activities report information on all the activities of the Commission, and is reported on a full accrual, economic resource basis.

The Statement of Net Position presents the Commission's assets and liabilities, with the difference reported as net position. Net position is reported in three 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 that are attributed to the acquisition, construction, or improvement of those assets, if applicable.
- ***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 that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

NORTHWEST IOWA PLANNING AND DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 that are 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 or contributions restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program receipts are reported instead as general revenues.

The Commission reports the following major governmental fund:

- The **General Fund** is the general operating fund of the Commission. All general revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, fixed charges, and capital improvement costs. Currently the Commission does not utilize any other funds.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds.

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 applicable less-restrictive classifications – committed, assigned and then unassigned fund balances.

**NORTHWEST IOWA PLANNING AND DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under terms of 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 positions available to finance the program. It is the Commission's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

D. Indirect Expense Allocation

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

E. Assets, Liabilities and Fund Balances

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

Cash - Cash balances are pooled and invested.

Notes Receivable – The Commission utilizes the allowance method for accounting for uncollectible accounts. At June 30, 2013, the allowance for doubtful accounts totaled \$25,000. No finance charges are added to unpaid balances

Capital Assets - Capital assets, which include property, equipment, and vehicles, are reported in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Computers	5 years
Furniture and Equipment	5 - 10 years

Compensated Absences – Commission employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment under applicable circumstances.

Unused accumulated vacation hours are payable to employees upon termination, retirement, or death. A liability is recorded in the government-wide financial statements when incurred.

Unused sick leave hours are only paid upon retirement. Therefore, a liability is recorded in the government-wide financial statements only when it relates to subsequent retirement payments made. Accumulated unused sick leave at June 30, 2013 totaled \$149,898 and has not been recorded since the amount which may be required to be paid upon an employee's subsequent retirement cannot be determined. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013.

**NORTHWEST IOWA PLANNING AND DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

- Restricted – Amounts restricted to specific purposes when constraints placed 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 other spendable classifications.

F. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are not reported as Required Supplementary Information. As there is no legal requirement to adopt a budget, this comparison and disclosure are not required.

Note 2 – CASH

The Commission's deposits at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers' acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts and warrants or improvement certificates of a drainage district.

Interest rate risk – The Commission's investment policy limits the investment of operating funds (funds expected to be expected in the current year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 365 days, but the maturities shall be consistent with the needs and use of the Commission.

There were no investments at June 30, 2013.

**NORTHWEST IOWA PLANNING AND DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 3 – CAPITAL ASSETS

A summary of changes in property and equipment comprising capital assets for the year ended June 30, 2013 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated				
Furniture and Fixtures	\$ 126,202	\$ 21,058	\$ (7,686)	\$ 139,574
Accumulated Depreciation	(95,182)	(9,820)	7,085	(97,917)
Capital Assets, Net	<u>\$ 31,020</u>	<u>\$ 11,238</u>	<u>\$ (601)</u>	<u>\$ 41,657</u>

Note 4 – RESTRICTED NET POSITION – NOTES RECEIVABLE

The Commission administers a revolving loan fund, known as EDA-RLF, that makes loans to businesses. The loans are secured by various security agreements. Loans are subject to guidelines provided by the federal granting agency and must stimulate the local economy and encourage job creation. The initial funds were provided through a grant from the U.S. Department of Commerce, Economic Development Administration (EDA), supplemented by a local match from various regional sources. The agreement with EDA states in part that, "If EDA determines that a grant recipient is failing to meet its obligation, the Agency will assert its equitable reversionary interest in the RLF assets." At June 30, 2013, the fund has a portfolio of loans totaling \$233,272, net of a \$25,000 allowance for uncollectible accounts, resulting in a carrying value of \$208,272, and a cash balance of \$64,755. The total loans and cash balance maintained by this fund are restricted for making additional loans in the future. The loans are for a 60 month term and have various maturity dates from 2014 to 2021.

Interest received on loans advanced under the EDA-RLF program can be up to five percentage points under the current prime rate, but in no case less than a base of four percent.

Note 5 – OPERATING LEASE

The Commission leases office space from Clay County. The lease is on a month-to-month basis with monthly payments of \$3,937. The Commission leased an office in Sheldon, Iowa from Northwest Iowa Community College with monthly payments of \$240. The last lease payment was for June 2013, as there will no longer be a Sheldon office beginning July 1, 2014. The Commission also has leases for a copier and a postage meter. The copier lease is with Xerox. The lease agreement is for \$547 per month plus the cost of additional copies through December 2017. The postage meter lease is with Pitney Bowes for \$46 per month. The lease runs through April 2017. For the year ended June 30, 2013, the Commission made total rental payments of \$56,938.

The following is a schedule by year of future minimum rental payments required under operating leases which have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2013:

**NORTHWEST IOWA PLANNING AND DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 5 – OPERATING LEASE (Continued)

Year Ending June 30,	Amount
2014	\$ 54,361
2015	54,361
2016	54,361
2017	54,361
2018	3,010
Total	<u>\$ 220,454</u>

Note 6 – 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, PO 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 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 \$71,764, \$62,881, and \$53,033, respectively, equal to the required contributions for each year.

Note 7 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

The Commission operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 14 active and 0 retired members in the plan. Participants must be age 55 or older and meet certain other requirements at retirement. Benefits terminate upon attaining Medicare eligibility. Coverage is provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy. It is anticipated that retiree premiums will be fully offset by monthly contributions.

The Commission has not disclosed the net annual required contributions for other postemployment benefits (OPEB) or the OPEB net obligation as required by GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions. The amount by which this departure from accounting principles generally accepted in the United States of America would affect liabilities, net assets, and expenses is not reasonably determinable.

**NORTHWEST IOWA PLANNING AND DEVELOPMENT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Note 8 – 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 purchased of commercial insurance. The Commission assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the preceding three fiscal years.

Note 9 – PRIOR PERIOD ADJUSTMENTS

In the financial statements for prior years, errors were made in accounting for various transactions within the Commission's books. These errors have been corrected and have the following effect on the beginning fund balances during the fiscal year June 30, 2013:

Governmental-wide Financial Statements

Beginning Net Position, As Previously Reported	\$ 791,861
Prior Period Adjustment	18,781
Beginning Net Position, As Restated	<u>\$ 810,642</u>

Government Fund Financial Statements

Beginning Fund Balance, As Previously Reported	\$ 812,301
Prior Period Adjustment	18,781
Beginning Fund Balance, As Restated	<u>\$ 831,082</u>

- Receivables in the amount of \$20,986 were incorrectly recorded in fiscal year 2013 instead of fiscal year 2012.
- Expenditures in the amount of \$2,205 were incorrectly recorded in fiscal year 2013 instead of fiscal year 2012.

**NORTHWEST IOWA PLANNING AND DEVELOPMENT COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013**

Grantor/Program	CFDA Number	Grant or Award Number	Program Expenditures
DIRECT:			
U.S. Department of Commerce:			
Economic Development Cluster:			
Economic Adjustment Assistance	11.307	05-39-02917	223,647
Total Economic Development Cluster			<u>223,647</u>
Economic Development Support for Planning Organizations	11.302	05-83-04985-02	61,000
Total Direct Expenditures			<u>284,647</u>
INDIRECT:			
U.S. Department of Labor			
Indirect Through Iowa Workforce Development:			
Employment Service Cluster:			
Employment Service/Wagner-Peyser Funded Activities	17.207	13WPFDE005	22,552
Total Employment Service Cluster			<u>22,552</u>
Workforce Investment Act (WIA):			
WIA Adult Program	17.258	13W03FR0	144,074
WIA Youth Program	17.259	13W03FR0	160,651
WIA Dislocated Workers	17.278	13W03FR0	135,128
Total WIA Cluster			<u>439,853</u>
WIA National Emergency Grants	17.277	11WFRP1004	297,774
Total Indirect U.S. Department of Labor			<u>760,179</u>
U.S. Department of Health and Human Services:			
Indirect Through Iowa Workforce Development:			
Temporary Assistance for Needy Families:			
Temporary Assistance for Needy Families	93.558	9W03FNP5	2,292
Temporary Assistance for Needy Families	93.558	7W03FR0	30,505
Total Indirect U.S. Department of Health and Human Services			<u>32,797</u>
Social Security Administration:			
Indirect Through Iowa Workforce Development:			
Social Security - Work Incentives Planning and Assistance Program	96.008	13W03FR0	2,918
U.S. Department of Transportation:			
Indirect Through Iowa Department of Transportation:			
Highway Planning and Construction	20.205	13-RPA-03	61,569
Formula Grants for Rural Areas	20.509	13-RPA-03	31,569
Total Indirect U.S. Department of Transportation			<u>93,138</u>
Total Indirect Expenditures			<u>889,032</u>
TOTAL			<u>\$ 1,173,679</u>

See Accompanying Independent Auditors' Report

**NORTHWEST IOWA PLANNING AND DEVELOPMENT COMMISSION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2013**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Northwest Iowa Planning and Development Commission and is presented on the accrual basis of accounting. 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 general purpose financial statements.

Computation of CFDA Number 11.307 - Economic Adjustment Assistance

Balance of loans outstanding at June 30, 2013	\$	233,272
Cash and Investment balance at June 30, 2013		
EDA - RLF #1		59,256
EDA - RLF #2		5,498
Administrative expenses paid out of RLF income		170
Total		298,196
 Federal Percentage		 75.0%
 Amount included on Schedule of Expenditures of Federal Awards	 \$	 223,647

**Independent Auditors' 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 the
Northwest Iowa Planning and Development Commission:

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 accompanying financial statements of the governmental activities and the major fund of Northwest Iowa Planning and Development Commission, Iowa as of and for the year ended June 30, 2013, which collectively comprise the Commission's basic financial statements listed in the table of contents, and have issued our report thereon dated December 24, 2013.

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 (internal control) to determine the audit procedures that are 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 is 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 a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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

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*.

Northwest Iowa Planning and Development Commission's Response to Findings

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

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 entity'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 entity'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 Northwest Iowa Planning and Development 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.

Spencer, Iowa
December 24, 2013

Williams + Company, P.C.
Certified Public Accountants

**Independent Auditors' Report on Compliance for each
Major Program and on Internal Control over Compliance
Required by OMB Circular A-133**

To the Board of Directors of the
Northwest Iowa Planning and Development Commission:

Report on Compliance for Each Major Federal Program

We have audited Northwest Iowa Planning and Development 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 its major federal programs for the year ended June 30, 2013. The 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the 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 the Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, Northwest Iowa Planning and Development 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 in Internal Control Over Compliance

Management 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 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 the 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 a 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.

Williams & Company, P.C.
Certified Public Accountants

Spencer, Iowa
December 24, 2013

**NORTHWEST IOWA PLANNING AND DEVELOPMENT COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

PART I – SUMMARY OF INDEPENDENT AUDITOR’S RESULTS

- (A) A qualified opinion was issued on the financial statements.
- (B) A material weakness in internal control over financial reporting was 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) No significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements.
- (E) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (F) The audit did disclose an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (G) Major programs were as follows:
 - Workforce Investment Act Cluster:
 - CFDA Number 17.258 – WIA Adult Program
 - CFDA Number 17.259 – WIA Youth Program
 - CFDA Number 17.278 – WIA Dislocated Workers
 - Other Major Programs:
 - CFDA Number 17.277 – WIA National Emergency Grants
- (H) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (I) The Commission did not qualify as a low-risk auditee.

PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS

INSTANCES OF NON-COMPLIANCE: No matters were reported.

MATERIAL WEAKNESS:

13-II-A Financial Reporting

Observation – During our audit, we identified material and immaterial amounts of receivables and payables not properly recorded in the Commission’s financial statements. Adjustments were subsequently made by the Commission to properly include these amounts in the financial statements.

Recommendation – The Commission should implement procedures to ensure all receivables and payables are identified and included in the Commission’s financial statements.

Response – The Commission will review these in the future to avoid missing any receivable and payable transactions.

Conclusion – Response accepted.

**NORTHWEST IOWA PLANNING AND DEVELOPMENT COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

PART III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

INSTANCES OF NON-COMPLIANCE: No matters were reported.

SIGNIFICANT DEFICIENCIES: No matters were reported.

PART IV – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

- 13-IV-A: Questionable Disbursements – No expenditures that did not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.
- 13-IV-B: Travel Expense – No expenditures of Northwest Iowa Planning and Development Commission were for travel expenses of spouses of Commission officials or employees.
- 13-IV-C: Business Transactions – No business transactions between the Commission and the Commission officials or employees were noted.
- 13-IV-D: Bond Coverage - Surety bond coverage of the Commission officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- 13-IV-E: Board Minutes – No transactions were found that we believe should have been approved by the Board minutes but were not.
- 13-IV-F: Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Commission's investment policy were noted.
- 13-IV-G: Deficit Balances – No funds had deficit balances at June 30, 2013.
- 13-IV-H: Depository Resolution – The Commission has adopted a depository resolution as required by Chapter 12C.2 of the Code of Iowa.

**NORTHWEST IOWA PLANNING AND DEVELOPMENT COMMISSION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2013**

12-III-A Expense Approval

Observation – The Commission did not properly approve one expense that was tested during our review of internal control procedures over the Workforce Investment Act Cluster.

Recommendation – The Organization should review and monitor approval procedures to ensure documentation of approval for expenses is being performed.

Current Status – This finding does not exist at June 30, 2013.

12-III-B Financial Accounting – Segregation of Duties

Observation – The Commission did not properly segregate custody, record-keeping, and reconciling functions for revenues, including those related to its federal programs.

Recommendation – We realize with a limited number of personnel, segregation of duties is difficult. However, the Commission should continue reviewing the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Current Status – Val now reviews and signs off on reimbursement requests before Jackie submits them. This finding does not exist at June 30, 2013.