LOESS HILLS DEVELOPMENT AND CONSERVATION AUTHORITY
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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SCHROER and associates p.c.
certified public accountants

Diane McGrain, CPA
Jim Menard, CPA

November 5, 2015

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Loess Hills Development and Conservation Authority
Oakland, IA

Report on the Financial Statements

We have audited the accompanying statements of Loess Hills Development and Conservation Authority (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statement of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management, and the related notes to the financial statements.

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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessments 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

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entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Loess Hills Development and Conservation Authority as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis and the Budgetary Comparison Information on pages 5 through 8, and page 16, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2015, on our consideration of Loess Hills Development and Conservation Authority internal control over financial reporting and on our test 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 preformed in accordance with *Government Auditing Standards* in considering Loess Hills Development and Conservation Authority's internal control over financial reporting and compliance.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the Loess Hills Development and Conservation Authority (LHDCA) provides this Management's Discussion and Analysis of the LHDCA's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the LHDCA's financial statements which follow.

2015 Financial Highlights

- LHDCA appropriations from the State of Iowa totaled $600,000 for fiscal year 2015, which was same as the fiscal year 2014 appropriation.

- State appropriations for fiscal year 2015 are passed through to and implemented by the two related organizations, the Hungry Canyons Alliance, Inc. and the Loess Hills Alliance.

- The LHDCA's net assets increased by approximately 98.9%, or $3,003 from June 30, 2014 to June 30, 2015.

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 an analytical overview of the LHDCA's financial activities.

The basic financial statements consist of a Statement of Financial Position including assets, liabilities, and net assets, a Statement of Activities and Changes in Net Assets, and a Statement of Cash Flows. These statements provide information about the activities of the LHDCA, on a comparative basis, including resources held by the LHDCA but restricted for specific purposes by legislation or by the LHDCA's Board of Directors.

Notes to Financial Statements (pgs. 12-14) provide additional information essential to a full understanding of the data provided in the basic financial statements.

Reporting the LHDCA's Financial Activities

The Statement of Financial Position and Statement of Activities and Changes in Net Assets

One of the most important questions asked regarding the LHDCA's finances is "Was the LHDCA monetarily able to attain its goals during the year?" The Statement of Financial Position and the Statement of Activities and Changes in Net Assets report information about the LHDCA's resources and its activities in a way that helps answer this question. These statements include all assets (restricted and unrestricted) and all liabilities using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the LHDCA's net assets, which is the difference between assets and liabilities, as one way to measure the LHDCA's financial position. Over time, increases or decreases in the LHDCA's net assets are one indicator of whether its financial position is improving or deteriorating. Additional factors, such as changes in appropriations and legislation, are also important in making this determination.

The Statement of Cash Flows

The Statement of Cash Flows reports cast receipts, cash payments, and net changes in cash and cash equivalents resulting from all activities. It provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash and cash equivalents during the reporting period.

Financial Analysis of the LHDCA

As noted earlier, net assets may serve over time as a useful indicator of financial position. The LHDCA's net assets increased by $3,003, or 98.9% from fiscal year 2014 to fiscal year 2015.

Assets, Liabilities and Net Assets	June 30, 2015	June 30, 2014
Assets		
Current Assets		
Cash and Equivalents	$ 6,363	$ 5,366
Total Assets	6,363	5,366
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	$ 324	$ 2,330
Net Assets		
Unrestricted	6,039	3,036
Total Liabilities and Net Assets	$ 6,363	$ 5,366

State appropriations are distributed to the LHDCA on a quarterly basis and passed through to the Hungry Canyons Alliance, Inc. and the Loess Hills Alliance upon receipt of funds. No state appropriations are held by the LHDCA.

The LHDCA requests an administrative fee of 2% of the yearly appropriation from both the Hungry Canyons Alliance, Inc. and the Loess Hills Alliance for administrative and general expenses of the LHDCA and auditing expenses for all three organizations: the LHDCA, Hungry Canyons Alliance, Inc. and the Loess Hills Alliance. An independent audit is performed for each organization after the end of each fiscal year, and filed with the Auditor's Office, State of Iowa.

The following shows the changes in net assets for the LHDCA.

Revenues, Expenses and Changes in Net Assets	June 30, 2015	June 30, 2014
Operating revenues:		
State Appropriations	$ 600,000	$ 600,000
State Appropriations Passed through to Related Organizations	(600,000)	(600,000)
Net State Appropriations	-	-
Interest	24	34
Administrative Support	12,000	9,000
Total support and revenue	12,024	9,034
Operating expenses:		
Administrative Fees	2,796	4,070
Other Management and General Expenses	75	79
Professional Fees	6,150	5,700
Total operating expenses	9,021	9,849
Increase/Decrease in net assets	3,003	(815)
Net Assets-Beginning of Year	3,036	3,851
Net Assets-End of Year	$ 6,039	$ 3,036

Budgetary Highlights

The LHDCA's budget expenditures for the fiscal year 2015 were $4,159 less than anticipated or 32% under budget.

Factors Affecting the LHDCA's Future

The LHDCA is maintaining a good financial position at the close of the current fiscal year. However, the condition of the national, state, and local economies will continue to be a concern for the LHDCA Board of Directors. Some of the realities that may potentially become challenges for the LHDCA are:

- Ensuring that infrastructure protection, rural development, and natural resource protection for the Loess Hills and western Iowa remain important issues in the eyes of federal, state, county, and local governments.
- Reductions in state appropriations would negatively impact the programs sponsored by the Hungry Canyons Alliance, Inc. and the Loess Hills Alliance, forcing them to suspend or reduce the number and scope of projects or programs serving western Iowa and the Loess Hills area.

Contacting the LHDCA's Financial Management

This financial report is designed to provide state and county governments, partners, and taxpayers with a general overview of the LHDCA's finances and to show the LHDCA's accountability for the money it receives. If you have questions about this report and/or need additional financial information, contact Loess Hills Development and Conservation Authority, 712 S. Hwy. 6 & 59, P.O. Box 189, Oakland, IA 51560-0189.

FINANCIAL STATEMENTS

LOESS HILLS DEVELOPMENT AND CONSERVATION AUTHORITY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

ASSETS

	2015	2014
Current assets		
Cash and cash equivalents	$ 6,363	$ 5,366
Total assets	$ 6,363	$ 5,366

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	$ 324	$ 2,330
Total current liabilities	324	2,330
Net assets		
Unrestricted	6,039	3,036
Total liabilities and net assets	$ 6,363	$ 5,366

See Accompanying Notes to Financial Statement

LOESS HILLS DEVELOPMENT AND CONSERVATION AUTHORITY
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Support and Revenue		
State appropriations	$ 600,000	$ 600,000
State appropriations passed through to related organizations	(600,000)	(600,000)
Net state appropriations	-	-
Administrative support	12,000	9,000
Interest	24	34
Total support and revenue	12,024	9,034
Expenses		
Administrative fees	2,796	4,070
Professional fess	6,150	5,700
Other management and general expenses	75	79
Total expenses	9,021	9,849
Change in net assets	3,003	(815)
Net assets, beginning of year	3,036	3,851
Net assets, end of year	$ 6,039	$ 3,036

See Accompanying Notes to Financial Statement

LOESS HILLS DEVELOPMENT AND CONSERVATION AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS JUNE 30, 2015 AND 2014

	2015	2014
Cash Flows from Operating Activities		
Change in net assets	$ 3,003	$ (815)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Decrease in prepaid insurance	-	50
Increase (decrease) in accounts payable	(2,006)	432
Net cash used by operating activities	997	(333)
Cash and cash equivalents, beginning of year	5,366	5,699
Cash and cash equivalents, end of year	$ 6,363	$ 5,366

See Accompanying Notes to Financial Statement

LOESS HILLS DEVELOPMENT AND CONSERVATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Nature of Activities – The Loess Hills Development and Conservation Authority was established by the Iowa General Assembly in 1993 under Chapter 161D, Code of Iowa. The mission of the Authority is to develop and coordinate plans for projects related to the unique natural resources, rural development and infrastructure problems of the twenty-three counties in the deep loess soils region of Western Iowa.

The authority administers the Loess Hills Development and Conservation Fund of the State Treasury. Proceeds from this fund are then passed through to and used by the Authority's two related organizations, the Hungry Canyons Alliance, Inc. and the Loess Hill Alliance, for the furtherance of the Authority's mission.

The accompanying financial statements, which include all programs administered by Loess Hills Development and Conservation Authority, have been prepared in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other accounting principles appropriate for non-profit associations.

The Organization's Board of Directors is comprised of one representative appointed by the board of supervisors of each county participating in the Authority.

The statements of financial position, activities and changes in net assets, and cash flows are all organization-wide financial statements. They report information for all Loess Hills Development and Conservation Authority's activities, which are in turn all deemed to be governmental activities. The Organization has no proprietary type activities.

Revenue Recognition – Revenues from appropriations, grants and other services are recognized when received. State appropriations, and interest earned thereon, in excess of related program expenses are recorded as temporarily restricted net assets until those funds are expended.

Income Taxes – The Organization is considered to be a governmental unit, making it exempt from state and federal income taxes under the Internal Revenue Code and, accordingly, no provision has been made for income tax liabilities or expense. The Organization is not considered a private foundation.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash Equivalents – For the purpose of the statements of cash flows, the Organization considers all highly liquid debt instruments with a maturity of three-months or less to be cash equivalents.

Concentration of Credit Risk – The Organization receives a substantial portion of its revenue from state grants. A significant reduction in the level of government funding would have a major effect on the Organization's programs and activities.

Cash funds deposited in excess of federally insured limits are protected by the Iowa State Sinking Fund for banks and savings associations, which covers Iowa uninsured public funds.

Fair Value of Financial Instruments – The carrying amounts of cash, accounts payable, accrued expenses, and other liabilities approximate their fair values due to the short-term maturities of these financial instruments.

Donor Imposed Restrictions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support depending on the nature of the restriction.

Principal Programs – The following is a summary of the principal programs administered by the Authority:

Hungry Canyons Alliance, Inc. – This Organization provides demonstrations, conducts research in effective methods, and provides financial and technical assistance for streambed stabilization projects in the loess soils region.

Loess Hills Alliance – This Organization's primary focus is to protect special natural and cultural resources while ensuring economic viability and private property rights of the loess soils region.

Date of Management Review – Management has evaluated subsequent events through November 5, 2015, the date the financial statements were available to be issued.

NOTE 2 COOPERATIVE AGREEMENT

The Organization enters into, on an annual basis, a cooperative agreement with Golden Hills Resource Conservation and Development, Inc. Under this agreement, Golden Hills Resource Conservation and Development, Inc. performs various duties, as follows: (1) administers the payments for the Authority's expenses; (2) holds semi-annual meetings of the Executive Committee at which expenditures of the projects are reviewed and approved; (3) reviews semi-annual activity and financial reports of the Authority, and; (4) arranges for, prepares for, and reviews the annual audit and related reports. The Organization recognized expenses totaling $2,796 and $4,070 for these services for the years ended June 30, 2015 and 2014, respectively.

NOTE 3 RELATED PARTY TRANSACTIONS

The Organization passed through state appropriations of $600,000 for 2015 and 2014, to its affiliate organizations and received $12,000 for 2015 and $9,000 for 2014, in administrative support from these organizations.

LOESS HILLS DEVELOPMENT AND CONSERVATION AUTHORITY
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR JUNE 30, 2015

	Budget	Actual	Budget Variance Favorable (Unfavorable)
Support and Revenue			
State appropriations	$ 600,000	$ 600,000	$ -
State appropriations passed through to related organizations	(600,000)	(600,000)	-
Administrative support	12,000	12,000	-
Interest	30	24	(6)
Total support and revenue	12,030	12,024	(6)
Expenses			
Administrative fees	7,000	2,796	4,204
Professional fess	6,150	6,150	-
Other management and general expenses	30	75	(45)
Total expenses	13,180	9,021	4,159
Change in net assets	(1,150)	3,003	4,153
Net assets, beginning of year	3,036	3,036	-
Net assets, end of year	$ 1,886	$ 6,039	$ 4,153

See Accompanying Independent Auditors' Report

SCHROER and associates p.c.
certified public accountants

Diane McGrain, CPA
Jim Menard, CPA

November 5, 2015

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
Loess Hills Development and Conservation Authority
Oakland, IA

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 financial statements of Loess Hills Development and Conservation Authority (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 5, 2015.

Internal Control over Financial Reporting

In planning and performing our audits, we considered Loess Hills Development and Conservation Authority'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Loess Hills Development and Conservation Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Loess Hills Development and Conservation Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combinations of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Schroer & Associates, PC