

IOWA NORTHLAND REGIONAL
COUNCIL OF GOVERNMENTS

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTARY INFORMATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2016

- Prepared By -

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IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS

OFFICIALS

<u>Name</u>	<u>Representing</u>	<u>Name</u>	<u>Representing</u>
Frank Magsamen, Chair	Black Hawk County	George Wessel	City of Hudson
Duane Hildebrandt, Vice-Chair	Bremer County	Bonita Davis	City of Independence
Mark Schildroth, Secretary	Grundy County	Dave Swenumson	City of Ionia
Gary Gissel, Treasurer	Buchanan County	Sandi Carroll	City of Janesville
Rex Ackerman	Butler County	Larry Thompson	City of Jesup
Scot Henrichs	City of Allison	David Neil	City of LaPorte City
Everett Tenge	City of Alta Vista	Eleanor McGraw-Riley	City of Lamont
Jason Mehmen	City of Aplington	Mark Muetterthies	City of Lawler
Jack Bolles	City of Aredale	David Hach	City of Morrison
Dave Young	City of Aurora	Angela Dietz	City of Nashua
Ann Smith	City of Beaman	Deb Larsen	City of New Hampton
Guy Stacy	City of Brandon	Steve Geerts	Chickasaw County
Dennis Peterson	City of Bristow	David Geerts	City of North Washington
Jim Brown	City of Cedar Falls	John Anderson	City of New Hartford
Val Swinton	City of Clarksville	Perry Bernard	City of Parkersburg
Jeff Martin	City of Conrad	Tom Geise	City of Plainfield
Rod Diercks	City of Denver	Chad Staton	City of Quasqueton
Mike Soppe	City of Dike	Monte Johnson	City of Raymond
Edwin Mouw	City of Dumont	Dan Wedemeier	City of Readlyn
Edward Jessen	City of Dunkerton	Tim Johnson	City of Reinbeck
Tim Swope	City of Elk Run Heights	Sue Webster	City of Rowley
Doug Faas	City of Evansdale	Larry Young	City of Shell Rock
Bill Cowell	City of Fairbank	Rodger Sill	City of Stanley
Shane Kroenecke	City of Fredericksburg	Joe Rich	City of Stout
Whitney Neil	City of Frederika	Dave Waskow	City of Sumner
Mark Thome	City of Gilbertville	Brendt Bernard	City of Tripoli
James O'Brien	City of Greene	Quentin Hart	City of Waterloo
Brian Buhrow	City of Grundy Center	Charles Infelt	City of Waverly
Gerald Vandevorde	City of Hazelton	Camie Nederhoff	City of Wellsburg
Scott Borchardt	City of Holland	Gerald Dennie	City of Winthrop



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Iowa Northland Regional Council of Governments
Waterloo, IA 50703

Report on the Financial Statements

I have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the Iowa Northland Regional Council of Governments (INRCOG), as of and for the year ended June 30, 2016, and the related Notes to 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 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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 Agency'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 Agency's internal control. Accordingly, I 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.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of INRCOG as of June 30, 2016, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Schedule of the Agency's Proportionate Share of the Net Pension Liability and the Schedule of Agency Contributions on pages 4 through 6 and 20 through 22 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. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquires of management about methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise INRCOG's basic financial statements. The supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), 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 my 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, I have also issued my report dated December 9, 2016 on my consideration of INRCOG's internal control over financial reporting and my 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 my 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 INRCOG's internal control over financial reporting and compliance.



Charles City, Iowa
December 9, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Iowa Northland Regional Council of Governments (INRCOG) 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, 2016. I encourage readers to consider this information in conjunction with INRCOG's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- INRCOG's operating revenues increased 8.6%, or \$463,624, from fiscal 2015 to fiscal 2016. Federal and state funds increased due to more funds for individuals and businesses impacted by the floods of 2008.
- INRCOG's operating expenses were 14.1%, or \$694,691 more in fiscal 2016 than in fiscal 2015 due mainly to increased expenses for flood programs.
- INRCOG's net position increased 6.3%, or \$217,565, from June 30, 2015 to June 30, 2016.

USING THIS ANNUAL REPORT

The Iowa Northland Regional Council of Governments is a 28E organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to INRCOG's basic financial statements. 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 INRCOG's financial activities.

The Statement of Net Position presents information on INRCOG's assets and deferred outflows of resources less the Agency's liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of INRCOG is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position is the basic statement of activities for proprietary funds. This statement presents information on operating revenues and expenses, non-operating revenues and expenses and whether INRCOG's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in INRCOG's cash and cash equivalents during the year. This information can assist readers of the report in determining how INRCOG financed its activities and how it met its cash requirements.

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

Required Supplementary Information further explains and supports the financial statements with the Agency's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the revenues, expenses and changes in net position, in addition to providing detailed information about the grant activity. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the Agency.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of INRCOG's financial position. INRCOG's net position for fiscal 2016 totaled approximately \$3,663,693. This compares to approximately \$3,446,128 at the end of fiscal 2015. A summary of INRCOG's net position is presented below.

Net Position

	June 30,	
	2016	2015
Current assets	\$2,879,309	\$2,987,033
Non-current assets	288,929	358,372
Capital assets at cost, less accumulated depreciation	<u>1,559,440</u>	<u>1,648,761</u>
Total assets	<u>\$4,727,678</u>	<u>\$4,994,166</u>
Deferred outflows of resources	\$ 246,266	\$ 53,591
Current liabilities	\$ 310,094	\$ 730,887
Noncurrent liabilities	703,428	630,346
Total liabilities	<u>\$1,013,522</u>	<u>\$1,361,233</u>
Deferred inflows of resources	\$ 296,729	\$ 240,396
Net position:		
Reserved	\$ 235,452	\$ 267,706
Unreserved	<u>3,428,241</u>	<u>3,178,422</u>
Total net position	<u>\$3,663,693</u>	<u>\$3,446,128</u>

Statement of Revenues, Expenses and Changes in Net Position

Operating revenues are received from federal grants, state grants, and other local sources. Operating expenses are to operate the transit systems and programs. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net position for the years ended June 30, 2016 and 2015 is presented below:

Changes in Net Position

	Year Ended June 30,	
	2016	2015
Operating Revenues:		
Grants	\$3,765,353	\$2,787,046
Program reimbursements and other local sources	<u>2,035,848</u>	<u>2,550,531</u>
Total operating revenues	<u>\$5,801,201</u>	<u>\$5,337,577</u>
Operating Expenses	<u>5,619,034</u>	<u>4,924,343</u>
Operating Income (loss)	<u>\$ 182,167</u>	<u>\$ 413,234</u>
Non-operating revenues:		
Interest income	\$ 15,282	\$ 12,205
Gain on sale of fixed assets	20,116	2,054
Net non-operating revenues	<u>\$ 35,398</u>	<u>\$ 14,259</u>
Change in net position	\$ 217,565	\$ 427,493
Net position beginning of year	<u>3,446,128</u>	<u>3,018,635</u>
Net position end of year	<u>\$3,663,693</u>	<u>\$3,446,128</u>

The Statement of Revenues, Expenses and Changes in Net Position reflects an increase in the net position at the end of the fiscal year.

- Net position for the year increased \$217,565. This increase was due to increased grant revenues.
- INRCOG's operating expenses (without depreciation) were \$5,511,314 and operating revenues were \$5,801,201. With depreciation, the total expenses were \$5,619,034 and operating revenues remained at \$5,801,201.
- State funds and federal funds for the year totaled \$3,765,353. These same funding sources for the previous fiscal year totaled \$2,787,046. These same funding sources are projected to decrease from fiscal year 2016 to fiscal year 2017 due to decreased funds available for flood recovery.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by the operating activities includes federal and state support, program reimbursements and other revenue, reduced by payments to employees and to suppliers. Cash used by capital and related financing activities includes principal payments and the purchase of capital assets. Cash provided by investing activities includes interest income.

CAPITAL ASSETS

At June 30, 2016, INRCOG had approximately \$1,559,440 invested in capital assets, net of accumulated depreciation of approximately \$1,827,234. Depreciation expense totaled \$107,720 for fiscal year 2016. More detailed information about INRCOG's capital assets is presented in Note 4 to the financial statements.

ECONOMIC FACTORS

The Iowa Northland Regional Council of Government's Board of Directors (with input from local elected officials and citizens) considered various factors when setting the fiscal year 2017 budget and fees that will be charged for Agency activities. INRCOG general operations are expected to remain consistent with the previous year, but could vary according to contracts received during the year.

CONTACTING INRCOG'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of INRCOG's finances and to show INRCOG's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Iowa Northland Regional Council of Governments, 229 E Park Avenue, Waterloo, IA 50703.

Basic Financial Statements

IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Iowa Northland</u>		
	<u>Regional</u>	<u>Council</u>	
	<u>Transit</u>	<u>of</u>	
	<u>Commission</u>	<u>Governments</u>	<u>Total</u>
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 561,241	\$1,535,427	\$2,096,668
Investments (at cost)	103,103	206,206	309,309
Accounts receivable	50,215	348,268	398,483
Notes receivable	-	72,565	72,565
Prepaid expenses	-	2,284	2,284
Total current assets	<u>\$ 714,559</u>	<u>\$2,164,750</u>	<u>\$2,879,309</u>
Noncurrent assets:			
Notes receivable	\$ -	\$ 288,929	\$ 288,929
Fixed assets:			
Furniture and equipment	\$ 54,126	\$ 150,963	\$ 205,089
Vehicles - unrestricted	150,315	-	150,315
Vehicles - restricted	1,106,233	-	1,106,233
Building and improvements	-	1,925,037	1,925,037
Total	<u>\$1,310,674</u>	<u>\$2,076,000</u>	<u>\$3,386,674</u>
Less accumulated depreciation	<u>(1,173,116)</u>	<u>(654,118)</u>	<u>(1,827,234)</u>
Net fixed assets	<u>\$ 137,558</u>	<u>\$1,421,882</u>	<u>\$1,559,440</u>
Total assets	<u>\$ 852,117</u>	<u>\$3,875,561</u>	<u>\$4,727,678</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	\$ 64,579	\$ 181,687	\$ 246,266
LIABILITIES:			
Current liabilities:			
Trade accounts payable	\$ 6,432	\$ 29,813	\$ 36,245
Accrued wages and payroll taxes payable	13,682	23,796	37,478
Accrued benefits payable	9,564	16,914	26,478
Unearned revenue	-	209,893	209,893
Total current liabilities	<u>\$ 29,678</u>	<u>\$ 280,416</u>	<u>\$ 310,094</u>
Noncurrent liabilities:			
Net pension liability	\$ 140,437	\$ 562,991	\$ 703,428
Total liabilities	<u>\$ 170,115</u>	<u>\$ 843,407</u>	<u>\$1,013,522</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenues:			
Pension related deferred inflows	\$ 32,700	\$ 264,029	\$ 296,729
NET POSITION:			
Reserved (Note 2)	\$ 107,356	\$ 128,096	\$ 235,452
Unreserved	<u>606,525</u>	<u>2,821,716</u>	<u>3,428,241</u>
Total net position	<u>\$ 713,881</u>	<u>\$2,949,812</u>	<u>\$3,663,693</u>

See Notes to Financial Statements.

IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2016

	<u>Iowa Northland</u>		
	<u>Regional</u>	<u>Council</u>	
	<u>Transit</u>	<u>of</u>	
	<u>Commission</u>	<u>Governments</u>	<u>Total</u>
OPERATING REVENUES:			
Federal funds	\$ 356,260	\$2,646,498	\$3,002,758
State funds	348,315	414,280	762,595
Local funds:			
Contract revenue	842,991	954,659	1,797,650
Membership revenue	-	101,797	101,797
In kind	-	123,457	123,457
Miscellaneous	-	12,944	12,944
Total operating revenues	<u>\$1,547,566</u>	<u>\$4,253,635</u>	<u>\$5,801,201</u>
OPERATING EXPENSES:			
Salaries and fringe benefits	\$ -	\$ 960,508	\$ 960,508
Drivers' salaries and benefits	279,407	-	279,407
Travel	-	21,789	21,789
Meals	-	7,082	7,082
Seminars	588	3,769	4,357
Telephone/internet	888	5,442	6,330
Contracted services	205,331	2,907,983	3,113,314
Office supplies	673	7,440	8,113
Miscellaneous	134	360	494
Postage	921	4,383	5,304
Bad debt	-	2,281	2,281
Copy expense	1,825	4,112	5,937
Advertising and notices	4,036	2,791	6,827
Professional memberships	2,557	10,680	13,237
Recording fees	-	134	134
Administrative overhead	64,326	-	64,326
Transportation cost	818,535	-	818,535
Administrative expense - EDA RLF	-	6,304	6,304
Provision for forgivable loan	-	50,884	50,884
Administrative expense - INRHC	-	1,213	1,213
Insurance	28,011	21,554	49,565
Equipment maintenance	-	13,308	13,308
Service agreement	-	15,463	15,463
Utilities	-	16,916	16,916
Inspections	-	753	753
Printing	-	732	732
Depreciation	52,368	55,352	107,720
Legal and accounting	19,131	17,246	36,377
Radio service	1,824	-	1,824
Total operating expenses	<u>\$1,480,555</u>	<u>\$4,138,479</u>	<u>\$5,619,034</u>
Operating Income	<u>\$ 67,011</u>	<u>\$ 115,156</u>	<u>\$ 182,167</u>
Non-operating revenues:			
Interest income	\$ 1,822	\$ 13,460	\$ 15,282
Gain on sale of fixed assets	20,016	100	20,116
Net non-operating revenues	<u>\$ 21,838</u>	<u>\$ 13,560</u>	<u>\$ 35,398</u>
Change in net position	\$ 88,849	\$ 128,716	\$ 217,565
Net position beginning of year	625,032	2,821,096	3,446,128
Net position end of year	<u>\$ 713,881</u>	<u>\$2,949,812</u>	<u>\$3,663,693</u>

See Notes to Financial Statements.

**IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2016**

	<u>Iowa Northland</u>		
	<u>Regional</u>	<u>Council</u>	
	<u>Transit</u>	<u>of</u>	
	<u>Commission</u>	<u>Governments</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from membership revenue	\$ -	\$ 101,797	\$ 101,797
Cash received from contract fees	884,766	1,235,442	2,120,208
Cash received from miscellaneous sources	-	12,944	12,944
Cash received from state operating grants	348,315	414,280	762,595
Cash received from federal operating grants	356,260	2,646,498	3,002,758
Cash paid for salaries and benefits	(276,343)	(959,209)	(1,235,552)
Cash paid for administration	(1,214,427)	(3,378,332)	(4,592,759)
Net cash provided (used) by operating activities	<u>\$ 98,571</u>	<u>\$ 73,420</u>	<u>\$ 171,991</u>
Cash flows from capital and related financing activities:			
Net acquisition of fixed assets	\$ -	\$ (18,398)	\$ (18,398)
Cash received from asset sales	20,016	100	20,116
Net cash used capital and related financing activities	<u>\$ 20,016</u>	<u>\$ (18,298)</u>	<u>\$ 1,718</u>
Cash flows from investing activities:			
Cash paid for investments	\$ (646)	\$ (1,292)	\$ (1,938)
Interest received	1,822	13,460	15,282
Net cash provided by investing activities	<u>\$ 1,176</u>	<u>\$ 12,168</u>	<u>\$ 13,344</u>
Net increase (decrease) in cash	\$ 119,763	\$ 67,290	\$ 187,053
Cash and cash equivalents beginning of year	441,478	1,468,137	1,909,615
Cash and cash equivalents end of year	<u>\$ 561,241</u>	<u>\$1,535,427</u>	<u>\$2,096,668</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 67,011	\$ 115,156	\$ 182,167
Adjustments for long-term non-cash items:			
Depreciation	52,368	55,352	107,720
Revenues and expenses not classified as operating	9,999	69,443	79,442
Changes in assets and liabilities:			
(Increase) decrease in accounts receivables and notes	41,775	254,484	296,259
(Increase) decrease in prepaid expenses	-	456	456
(Decrease) increase in accounts payable	(64,393)	(155,024)	(219,417)
(Decrease) increase in accrued wages payable	427	1,847	2,274
(Decrease) increase in accrued benefits payable	2,637	(548)	2,089
(Decrease) in unearned revenue	-	(205,739)	(205,739)
Increase (decrease) in net pension liability	18,007	45,075	63,082
(Increase) decrease in deferred outflow of resources	(19,082)	(173,593)	(192,675)
Increase (decrease) in deferred inflow of resources	(10,178)	66,511	56,333
Net cash provided (used) by operating activities	<u>\$ 98,571</u>	<u>\$ 73,420</u>	<u>\$ 171,991</u>
Supplemental disclosure of cash flow information:			
Interest paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(1) Organization

The Iowa Northland Regional Council of Governments (INRCOG) is an Inter-Governmental Council, established in accordance with provisions of Chapter 28E of the State Code of Iowa (Inter-Governmental Cooperation Agreement). The area of jurisdiction is Region 7 which includes Black Hawk, Bremer, Buchanan, Butler, Chickasaw, and Grundy counties. INRCOG's powers and duties are those authorized by Chapter 28H of the State of Iowa (Councils of Governments). INRCOG provides professional and technical services on a regional basis to maintain area-wide certification for state and federal grant and aid projects. It also provides planning advisory services and assistance in preparing special planning documents and applications to its members. INRCOG also provides transportation services to the elderly, disabled and rural areas through the Iowa Northland Regional Transit Commission. In performing its duties, INRCOG may contract with and expend funds from federal, state, and local agencies, public or semi-public agencies and private individuals and Corporations.

Reporting Entity

For financial reporting purposes, INRCOG has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with INRCOG are such that exclusion would cause INRCOG'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 INRCOG 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 INRCOG. INRCOG has no component units which meet the Governmental Accounting Standards Board criteria.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accounts of INRCOG are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(b) Measurement Focus and Basis of Accounting

The 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 met.

IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(2) Summary of Significant Accounting Policies - continued

INRCOG applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

INRCOG distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the INRCOG's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(c) Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

The following accounting policies are followed in preparing the Statement of Net Position:

Cash and Cash Equivalents - The cash balances are invested. For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Investments - Investments are stated at cost which approximates market.

Notes Receivable - This account is utilized to record revolving loan funds loaned to eligible homeowners with the intent that if certain target performances have been satisfied, a portion of the loans may be forgiven.

Capital Assets - Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by INRCOG as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Furniture and Equipment	\$ 250
Vehicles	500
Moving Costs	500
Leasehold Improvements	500
Building and Improvements	500

IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(2) Summary of Significant Accounting Policies - continued

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

<u>Asset Class</u>	<u>Estimated Useful lives (In years)</u>
Furniture and Equipment	5
Vehicles	5
Moving Costs	5
Leasehold Improvements	5-39
Building and Improvements	5-39

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the Agency after the measurement date but before the end of the Agency's reporting period.

Accrued Benefits Payable - Accrued benefits payable are earned vacation time and have been accrued as liabilities on the statement of net position. These current liabilities have been computed based on rates of pay in effect at June 30, 2016.

Unearned Revenue - Unearned revenue represents dues received from members for the next year and various grant advanced funding.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position applicable to a future period(s) which will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on IPERS investments.

Reserved Net Position - The Council of Government's reserved net position represents the reserve for revolving loan funds. The Agency received grant funds to establish revolving loan funds for housing needs.

The Regional Transit Commission's reserved net position represents the portion of federal participation in the purchase of transit vehicles and related equipment. Subsequent disposition of assets purchased with federal funds are subject to certain restrictions.

**IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

(3) Cash and Investments

INRCOG's deposits in banks at June 30, 2016 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 ensure there will be no loss of public funds.

INRCOG 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; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

INRCOG had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Interest rate risk - INRCOG's investment policy limits the investment of operating funds (funds expected to be expended in the current budget 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 397 days, but the maturities shall be consistent with the needs and use of INRCOG.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

<u>Iowa Northland Regional Council of Governments</u>	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Furniture and equipment	\$ 134,196	\$ 16,908	\$ 141	\$ 150,963
Building and improvements	<u>1,923,547</u>	<u>1,490</u>	<u>-</u>	<u>1,925,037</u>
Total capital assets being depreciated	<u>\$2,057,743</u>	<u>\$ 18,398</u>	<u>\$ 141</u>	<u>\$2,076,000</u>

Less: accumulated depreciation for:

<u>Iowa Northland Regional Council of Governments</u>	<u>Balance Beginning of year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Furniture and equipment	\$ 129,370	\$ 4,570	\$ 141	\$ 133,799
Building and improvements	<u>469,537</u>	<u>50,782</u>	<u>-</u>	<u>520,319</u>
Total accumulated depreciation	<u>\$ 598,907</u>	<u>\$ 55,352</u>	<u>\$ 141</u>	<u>\$ 654,118</u>
Total capital assets, net	<u>\$1,458,836</u>	<u>\$ (36,954)</u>	<u>\$ -</u>	<u>\$1,421,882</u>

**IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

(4) Capital Assets - continued

<u>Iowa Northland Regional Transit Commission</u>	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Furniture and equipment	\$ 54,126	\$ -	\$ -	\$ 54,126
Vehicles - unrestricted	160,808	-	10,493	150,315
Vehicles - restricted	<u>1,157,464</u>	<u>-</u>	<u>51,231</u>	<u>1,106,233</u>
Total capital assets being depreciated	<u>\$1,372,398</u>	<u>\$ -</u>	<u>\$ 61,724</u>	<u>\$1,310,674</u>

Less: accumulated depreciation for:

<u>Iowa Northland Regional Transit Commission</u>	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Furniture and equipment	\$ 54,126	\$ -	\$ -	\$ 54,126
Vehicles - unrestricted	118,599	12,007	10,493	120,113
Vehicles - restricted	<u>1,009,748</u>	<u>40,360</u>	<u>51,231</u>	<u>998,877</u>
Total accumulated depreciation	<u>\$1,182,473</u>	<u>\$ 52,367</u>	<u>\$ 61,724</u>	<u>\$1,173,116</u>
Total capital assets, net	<u>\$ 189,925</u>	<u>\$ (52,367)</u>	<u>\$ -</u>	<u>\$ 137,558</u>

(5) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the Agency, except those covered by another retirement system. Employees of the Agency are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(5) Pension Plan - continued

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the Agency contributed 8.93% of covered payroll, for a total rate of 14.88%.

The Agency's contributions to IPERS for the year ended June 30, 2016 totaled \$18,709 for Regional Transit Commission and \$73,445 for Council of Governments.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the Agency Regional Transit Commission (RTC) reported a liability of \$140,437 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The RTC's proportion of the net pension liability was based on the Agency's share of contributions to IPERS relative to the

**IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

(5) **Pension Plan** - continued

contributions of all IPERS participating employers. At June 30, 2015, RTC's proportion was 0.002825%, which was an increase of 0.000047% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, RTC recognized pension expense of \$17,456. At June 30, 2016, RTC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,112	\$ -
Changes of assumptions	3,867	-
Net difference between projected and actual earnings on IPERS investments	21,012	32,700
Changes in proportion and differences between Agency contributions and the Agency's proportionate share of contributions	18,879	-
Agency contributions subsequent to the measurement date	<u>18,709</u>	<u>-</u>
Total	<u>\$ 64,579</u>	<u>\$ 32,700</u>

\$18,709 reported as deferred outflows of resources related to pensions resulting from Agency Regional Transit Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>June 30,</u>	<u>Total</u>
2017	\$ 1,706
2018	1,706
2019	1,706
2020	7,859
2021	<u>193</u>
Total	<u>\$ 13,170</u>

There were no non-employer contributing entities to IPERS.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the Agency Council of Governments (COG) reported a liability of \$562,991 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial

**IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

(5) Pension Plan - continued

valuation as of that date. The COG's proportion of the net pension liability was based on the Agency's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the COG's proportion was 0.011324%, which was a decrease of 0.00147% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Council of Governments recognized pension expense of \$73,445. At June 30, 2016, the COG reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,506	\$ -
Changes of assumptions	15,501	-
Net difference between projected and actual earnings on IPERS investments	84,235	131,090
Changes in proportion and differences between Agency contributions and the Agency's proportionate share of contributions	-	132,940
Agency contributions subsequent to the measurement date	<u>73,445</u>	<u>-</u>
Total	<u>\$ 181,687</u>	<u>\$ 264,030</u>

\$73,445 reported as deferred outflows of resources related to pensions resulting from Agency Council of Governments contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Total</u>
2017	\$ (51,696)
2018	(51,696)
2019	(51,696)
2020	2,914
2021	<u>(3,614)</u>
Total	<u>\$ (155,788)</u>

There were no non-employer contributing entities to IPERS.

**IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016**

(5) **Pension Plan** - continued

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Plus Fixed Income	28%	2.04%
Domestic Equity	24	6.29
International Equity	16	6.75
Private Equity/Debt	11	11.32
Real Estate	8	3.48
Credit Opportunities	5	3.63
U.S. TIPS	5	1.91
Other Real Assets	2	6.24
Cash	<u>1</u>	(0.71)
Total	<u>100%</u>	

**IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

(5) Pension Plan - continued

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the Agency will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Agency's proportionate share of the net pension liability:			
Regional Transit Commission	\$ 245,880	\$ 140,437	\$ 51,436
Council of Governments	\$ 985,696	\$ 562,991	\$ 206,198

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(6) Risk Management

INRCOG 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. INRCOG 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 past three fiscal years.

Required Supplementary Information

IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
 SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 FOR THE LAST TWO YEARS *
 (IN THOUSANDS)
 REQUIRED SUPPLEMENTARY INFORMATION

	RTC	
	2016	2015
Agency's proportion of the net pension liability	0.002825%	0.002778%
Agency's proportionate share of the net pension liability	\$ 140	\$ 112
Agency's covered-employee payroll	\$ 210	\$ 195
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	66.60%	57.40%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

	COG	
	2016	2015
Agency's proportion of the net pension liability	0.011324%	0.012797%
Agency's proportionate share of the net pension liability	\$ 563	\$ 519
Agency's covered-employee payroll	\$ 822	\$ 781
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	68.40%	66.30%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See Accompanying Independent Auditor's Report.

**IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
SCHEDULE OF AGENCY CONTRIBUTIONS**

**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST TWO YEARS
(IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION**

	RTC	
	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 19	\$ 17
Contributions in relation to the statutorily required contribution	<u>(19)</u>	<u>(17)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Agency's covered-employee payroll	\$ 210	\$ 195
Contributions as a percentage of covered-employee payroll	8.93%	8.93%

	COG	
	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 73	\$ 70
Contributions in relation to the statutorily required contribution	<u>(73)</u>	<u>(70)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Agency's covered-employee payroll	\$ 822	\$ 781
Contributions as a percentage of covered-employee payroll	8.93%	8.93%

See Accompanying Independent Auditor's Report.

**IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2016**

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

Supplementary Information

IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
SCHEDULE OF PROGRAM NET POSITION
JUNE 30, 2016

	<u>Housing Trust Funds</u>	<u>Other Programs</u>	<u>Total</u>
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 142,010	\$1,393,417	\$1,535,427
Investments (at cost)	-	206,206	206,206
Accounts receivable	-	348,268	348,268
Notes receivable	28,262	44,303	72,565
Prepaid expenses	-	2,284	2,284
Total current assets	<u>\$ 170,272</u>	<u>\$1,994,478</u>	<u>\$2,164,750</u>
Noncurrent assets:			
Notes receivable	\$ 71,107	\$ 217,822	\$ 288,929
Fixed assets:			
Furniture and equipment	\$ -	\$ 150,963	\$ 150,963
Building and improvements	-	1,925,037	1,925,037
Total	\$ -	\$2,076,000	\$2,076,000
Less accumulated depreciation	-	(654,118)	(654,118)
Net fixed assets	<u>\$ -</u>	<u>\$1,421,882</u>	<u>\$1,421,882</u>
Total assets	<u>\$ 241,379</u>	<u>\$3,634,182</u>	<u>\$3,875,561</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension restated deferred outflows	\$ -	\$ 181,687	\$ 181,687
LIABILITIES:			
Current liabilities:			
Trade accounts payable	\$ -	\$ 29,813	\$ 29,813
Accrued wages and payroll taxes	-	23,796	23,796
Accrued benefits payable	-	16,914	16,914
Unearned revenue	141,835	68,058	209,893
Total current liabilities	<u>\$ 141,835</u>	<u>\$ 138,581</u>	<u>\$ 280,416</u>
Noncurrent liabilities:			
Net pension liability	\$ -	\$ 562,991	\$ 562,991
Total liabilities	<u>\$ 141,835</u>	<u>\$ 701,572</u>	<u>\$ 843,407</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenues:			
Pension restated deferred inflows	\$ -	\$ 264,029	\$ 264,029
NET POSITION:			
Reserved (Note 2)	\$ 99,544	\$ -	\$ 99,544
Unreserved	-	2,850,268	2,850,268
Total net position	<u>\$ 99,544</u>	<u>\$2,850,268</u>	<u>\$2,949,812</u>

See Accompanying Independent Auditor's Report.

**IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
SCHEDULE OF SELECTED REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2016**

	<u>Waterloo</u> <u>HTF #3</u>	<u>Waterloo</u> <u>HTF #2</u>	<u>HTF</u> <u>X</u>
OPERATING REVENUES:			
Federal funds	\$ -	\$ -	\$ -
State funds	3,070	91,320	70,858
Local funds	-	20,676	14,000
Total operating revenues	<u>\$ 3,070</u>	<u>\$ 111,996</u>	<u>\$ 84,858</u>
OPERATING EXPENSES:			
Salaries and fringe benefits	\$ 1,675	\$ 6,535	\$ 14,739
Travel	-	-	24
Meals	-	-	-
Seminars	-	-	-
Telephone/internet	-	-	5
Contracted services	866	103,383	64,000
Office supplies	-	-	-
Miscellaneous	-	-	-
Postage	4	19	41
Bad debt	-	-	-
Copy expense	-	2	355
Advertising and notices	-	10	-
Professional memberships	-	-	-
Recording fees	-	-	-
Administrative overhead	525	2,047	4,617
Administrative expense - EDA RLF	-	-	-
Provision for forgivable loan	-	-	974
Administrative expense - INRHC	-	-	-
Insurance	-	-	-
Equipment maintenance	-	-	-
Service agreement	-	-	-
Utilities	-	-	-
Inspections	-	-	-
Printing	-	-	-
Depreciation	-	-	-
Legal and accounting	-	-	-
Total operating expenses	<u>\$ 3,070</u>	<u>\$ 111,996</u>	<u>\$ 84,755</u>
Operating Income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103</u>
Non-operating revenues:			
Interest income	\$ -	\$ -	\$ -
Gain on sale of fixed assets	-	-	-
Net non-operating revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103</u>

See Accompanying Independent Auditor's Report.

<u>Waterloo HTF</u>	<u>HTF XI</u>	<u>HTF XII</u>	<u>Other Programs</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 2,646,498	\$ 2,646,498
10,198	178,565	60,269	-	414,280
729	35,922	8,130	1,113,400	1,192,857
<u>\$ 10,927</u>	<u>\$ 214,487</u>	<u>\$ 68,399</u>	<u>\$ 3,759,898</u>	<u>\$ 4,253,635</u>
\$ -	\$ 14,846	\$ 4,271	\$ 918,442	\$ 960,508
-	81	-	21,684	21,789
-	-	-	7,082	7,082
-	-	-	3,769	3,769
-	9	-	5,428	5,442
10,927	155,884	38,028	2,534,895	2,907,983
-	-	-	7,440	7,440
-	-	-	360	360
-	169	8	4,142	4,383
-	-	-	2,281	2,281
-	372	-	3,383	4,112
-	10	-	2,771	2,791
-	-	-	10,680	10,680
-	66	26	42	134
-	4,651	1,338	(13,178)	-
-	-	-	6,304	6,304
-	33,674	24,728	(8,492)	50,884
-	-	-	1,213	1,213
-	-	-	21,554	21,554
-	-	-	13,308	13,308
-	-	-	15,463	15,463
-	-	-	16,916	16,916
-	-	-	753	753
-	-	-	732	732
-	-	-	55,352	55,352
-	-	-	17,246	17,246
<u>\$ 10,927</u>	<u>\$ 209,762</u>	<u>\$ 68,399</u>	<u>\$ 3,649,570</u>	<u>\$ 4,138,479</u>
\$ -	\$ 4,725	\$ -	\$ 110,328	\$ 115,156
\$ -	\$ -	\$ -	\$ 13,460	\$ 13,460
-	-	-	100	100
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,560</u>	<u>\$ 13,560</u>
<u>\$ -</u>	<u>\$ 4,725</u>	<u>\$ -</u>	<u>\$ 123,888</u>	<u>\$ 128,716</u>

IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
 STATEMENT OF SELECTED PROJECT COSTS AND COMPUTATION OF SELECTED PROJECT GRANTS
 YEAR ENDED JUNE 30, 2016

	STA Operating Assistance	Section 18 Operating #18-0031- 070-15	15-RPA- R07	15-MPO- INCROG
Operating Expenses:				
Contractual Services	\$348,315	\$ 998,237	\$ -	\$ -
Prior Year	-	-	112,964	269,811
Project Cost	<u>\$348,315</u>	<u>\$ 998,237</u>	<u>\$ 112,964</u>	<u>\$ 269,811</u>
Grant Participation in Project Cost	100%	50%	80%	80%
Percentage Participation	<u>\$348,315</u>	<u>\$ 499,119</u>	<u>\$ 90,371</u>	<u>\$ 215,849</u>
Contract Amount	<u>\$354,090</u>	<u>\$ 356,260</u>	<u>\$ 88,479</u>	<u>\$ 235,690</u>
Permissible Grant (Lesser of Contract Amount or Percentage Participation)	\$348,315	\$ 356,260	\$ 88,479	\$ 215,849
Less: Grant Payments received in current year	(348,315)	(356,260)	(18,346)	(65,609)
Less: Grant Payments received in prior year	-	-	(70,133)	(150,240)
Grant Receivable/(Payable) at June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

<u>16-MPO INRCOG</u>	<u>16-RPA RO7</u>	<u>HWY 58 Corridor</u>	<u>TAP-R 000S (713) 8T-00</u>	<u>NRT 0000S (875) 9G-00</u>	<u>CDBG 08-DRH- 201</u>	<u>CDBG 08-DRH- 001</u>
\$ 286,197	\$ 117,708	\$ 221,043	\$ 22,156	\$ 4,017	\$2,180,449	\$ 30,423
-	-	801,808	13,366	-	4,498,389	1,915,159
<u>\$ 286,197</u>	<u>\$ 117,708</u>	<u>\$1,022,851</u>	<u>\$ 35,522</u>	<u>\$ 4,017</u>	<u>\$6,678,838</u>	<u>\$1,945,582</u>
80%	80%	80%	80%	80%	100%	100%
<u>\$ 228,958</u>	<u>\$ 94,166</u>	<u>\$ 818,281</u>	<u>\$ 28,417</u>	<u>\$ 3,214</u>	<u>\$6,678,838</u>	<u>\$1,945,582</u>
<u>\$ 230,074</u>	<u>\$ 92,155</u>	<u>\$ 969,680</u>	<u>\$ 59,392</u>	<u>\$ 9,050</u>	<u>\$6,930,463</u>	<u>\$2,277,643</u>
\$ 228,958	\$ 92,155	\$ 818,281	\$ 28,417	\$ 3,214	\$6,678,838	\$1,945,582
(163,080)	(67,630)	(212,561)	(28,417)	-	(2,331,479)	(28,677)
-	-	(564,806)	-	-	(4,336,833)	(1,910,406)
<u>\$ 65,878</u>	<u>\$ 24,525</u>	<u>\$ 40,914</u>	<u>\$ -</u>	<u>\$ 3,214</u>	<u>\$ 10,526</u>	<u>\$ 6,499</u>

IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
STATEMENT OF SELECTED PROJECT COSTS AND COMPUTATION OF SELECTED PROJECT GRANTS
YEAR ENDED JUNE 30, 2016

	EDA 05-83- <u>05378</u>	<u>Total</u>
Operating Expenses:		
Contractual Services	\$ 127,265	\$ 4,335,810
Prior Year	-	7,611,497
Project Cost	<u>\$ 127,265</u>	<u>\$11,947,307</u>
Grant Participation in Project Cost	50%	
Percentage Participation	<u>\$ 63,633</u>	<u>\$11,014,743</u>
Contract Amount	<u>\$ 61,000</u>	<u>\$11,663,976</u>
Permissible Grant (Lesser of Contract Amount or Percentage Participation)	\$ 61,000	\$10,865,348
Less: Grant Payments received in current year	(61,000)	(3,681,374)
Less: Grant Payments received in prior year	<u>-</u>	<u>(7,032,418)</u>
Grant Receivable/(Payable) at June 30, 2016	<u>\$ -</u>	<u>\$ 151,556</u>

See Accompanying Independent Auditor's Report.

IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2016

<u>GRANTOR/PROGRAM</u>	<u>CFDA NUMBER</u>	<u>AGENCY PASS-THROUGH NUMBER</u>	<u>PROGRAM EXPENDITURES</u>
Direct:			
Department of Commerce:			
Economic Development Administration:			
Planning Grant	11.302	05-83-05378	\$ 61,000
Economic Adjustment Assistance	11.307	05-79-04738	271,712
Total Direct Awards			<u>\$ 332,712</u>
Indirect:			
Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Black Hawk County:			
Community Development Block Grant	14.228	08-DRH-001	\$ 30,423
Program	14.228	08-DRH-201	2,180,229
			<u>\$2,210,652</u>
Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	16-RPA-R07	\$ 65,177
	20.205	16-MPO-R07	179,930
	20.205	NHSX-U-58-1(91)	176,835
	20.205	TAP	17,725
			<u>\$ 439,667</u>
Recreational Trails Program	20.219	NRT-000S(875)	<u>\$ 3,214</u>
Metropolitan Transportation Planning	20.505	16-MPO-R07	<u>\$ 49,026</u>
Formula Grants for Rural Areas	20.509	18-0031-070-16	<u>\$ 356,260</u>
State Planning and Research	20.515	16-RPA-R07	<u>\$ 26,978</u>
Total Indirect Awards			<u>\$3,085,797</u>
Total			<u>\$3,418,509</u>

(continued)

IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

Computation of CFDA Number 11.307-Economic Adjustment Assistance

	<u>Grant Number 05-79-04738</u>
Balance of RLF loans outstanding 6/30/16	\$245,497
RLF cash 6/30/16	110,482
Administrative expense paid out in 2016	6,304
Principal balance written off in 2016	<u>-</u>
Total	\$362,283
Federal percentage	75%
Amount included on Schedule of Expenditures of Federal Awards	<u><u>\$271,712</u></u>

Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of INRCOG under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of INRCOG, it is not intended to and does not present the financial position, changes in financial position or cash flows of INRCOG.

Summary of Significant Accounting Policies - Expenditures reported in the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

See Accompanying Independent Auditor's Report.



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

To the Board of Directors:
Iowa Northland Regional Council of Governments:

I have audited 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, the financial statements of INRCOG, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the Agency's basic financial statements, and have issued my report thereon dated December 9, 2016.

Internal Control Over Financial Reporting

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

My 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.

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 a material misstatement of INRCOG's financial statements will not be prevented or detected and corrected on a timely basis. No material weaknesses were noted.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. No significant deficiencies were noted.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether INRCOG's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Agency. Since my 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.

Purpose of this Report

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

I would like to acknowledge the many courtesies and assistance extended to us by personnel of INRCOG during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

A handwritten signature in cursive script that reads "Larry Pump".

Charles City, Iowa
December 9, 2016



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Iowa Northland Regional Council of Governments:

Report on Compliance for Each Major Federal Program

I have audited Iowa Northland Regional Council of Government's (INRCOG's) compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on INRCOG's major federal programs for the year ended June 30, 2016. INRCOG's major federal programs are identified in Part I of the accompanying Schedule of Findings.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for INRCOG's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that I 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 INRCOG's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe my audit provides a reasonable basis for my opinion on compliance for the major federal programs. However, my audit does not provide a legal determination of INRCOG's compliance.

Opinion on Each Major Federal Program

In my opinion, INRCOG complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

The management of INRCOG is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered INRCOG's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal programs to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of INRCOG'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 a 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. No deficiencies in internal control over compliance I consider to be material weaknesses were noted.

My 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Charles City, Iowa
December 9, 2016

IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
Schedule of Findings
Year Ended June 30, 2016

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) The audit did not disclose any material weaknesses or significant deficiencies in internal control over financial reporting.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with the Uniform Guidance, Section 200.515.
- (g) The major programs were CFDA Number 14.228 - Community Development Block Grant Program and CFDA Number 11.307 - Economic Adjustment Assistance.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) INRCOG qualified as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-16 Questionable Expenses - No expenses I 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-16 Travel Expense - No expenses of INRCOG money for travel expenses of spouses of INRCOG officials or employees were noted.

IOWA NORTHLAND REGIONAL COUNCIL OF GOVERNMENTS
Schedule of Findings
Year Ended June 30, 2016

Part IV: Other Findings Related to Required Statutory Reporting: - continued

- IV-C-16 Business Transactions - No business transactions between INRCOG and INRCOG officials or employees were noted.
- IV-D-16 Bond Coverage - Surety bond coverage of INRCOG officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-E-16 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and INRCOG's investment policy were noted.
- IV-F-16 Board Minutes - No transactions were found that I believe should have been approved in the Board minutes but were not.