

**UPPER EXPLORERLAND
REGIONAL PLANNING COMMISSION
DECORAH, IOWA**

FINANCIAL REPORT

JUNE 30, 2019

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**INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS**

To the Board of Commissioners
Upper Explorerland Regional Planning Commission
Decorah, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Upper Explorerland Regional Planning Commission, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Upper Explorerland Regional Planning Commission, as of June 30, 2019, and the respective changes in financial position 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 that the management's discussion and analysis, the schedule of the Commission's proportionate share of the net pension liability and the schedule of Commission contributions on pages 4 through 4d and pages 28 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Upper Explorerland Regional Planning Commission's June 30, 2019 basic financial statements. The supplementary information included in Schedules 1 through 4, including the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information shown on Schedules 1 through 4, including the schedule of expenditures of federal awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information shown on Schedules 1 through 4, including the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the year ended June 30, 2019 basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2020, on our consideration of Upper Explorerland Regional Planning Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Upper Explorerland Regional Planning Commission's 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 Upper Explorerland Regional Planning Commission's internal control over financial reporting and compliance.

Hacker, Nelson & Co., P.C.

Decorah, Iowa

January 13, 2020, except for Note 20, as to which the date is March 2, 2020

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION
DECORAH, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2019

Upper Explorerland Regional Planning Commission provides this management's discussion and analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2019. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

2019 FINANCIAL HIGHLIGHTS

- Revenues of the Commission's governmental activities decreased 12.08% or approximately \$434,000 from fiscal year 2018 to fiscal year 2019.
- Program expenses were 15.93% or approximately \$579,000 less in fiscal year 2019 than in fiscal year 2018. Grants/programs expenses decreased approximately \$319,000.
- The Commission's net position increased 5.37% or approximately \$81,000 from June 30, 2018 to June 30, 2019.

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 Commission's financial activities.

The government-wide financial statements consist of a statement of net position and a statement of activities. These provide information about the activities of the Commission as a whole and present an overall view of the Commission's finances.

The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Upper Explorerland Regional Planning Commission's operations in more detail than the government-wide financial statements by providing information about the most significant funds with all other nonmajor funds presented in total in a single column. For the Commission, the general fund, the Coordinating Service Providers (CSP)-special revenue fund, the Revolving Loan Fund (RLF)-special revenue fund, and the Intermediary Relending Program (IRP)-special revenue fund are the most significant funds.

Notes to 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 a comparison of the Commission's proportionate share of the net pension liability and related contributions.

Supplementary information provides detailed information about the nonmajor governmental funds. In addition, the schedule of expenditures of federal awards provides details of various federal programs benefiting the Commission.

REPORTING THE COMMISSION'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the Commission's finances is, "Is the Commission as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, 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.

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

The statement of activities presents information showing how the Commission's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

The statement of net position and the statement of activities report the governmental activities which include regional planning assistance, grant writing and revolving loan administration along with other assistance provided on an as needed basis. State and federal grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Commission's funds, focusing on its most significant or "major" funds - not the Commission as a whole. Funds are accounting devices the Commission uses to keep track of specific sources of funding and spending on particular programs.

Governmental Funds

Governmental funds account for the Commission's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the general fund, 2) the special revenue funds, such as CSP, RLF, and IRP. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the Commission's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Commission's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net position of governmental activities:

Condensed Statement of Net Position			
(Expressed in Thousands)			
Governmental Activities			
	2019	2018	Percent Change
Current and other assets	\$ 2,599	\$ 2,871	-9.47%
Capital assets	753	779	-3.34%
Total assets	3,352	3,650	-8.16%
Deferred outflows of resources	242	245	-1.22%
Current liabilities	399	694	-42.51%
Noncurrent liabilities	1,523	1,601	-4.87%
Total liabilities	1,922	2,295	-16.25%
Deferred inflows of resources	84	93	-9.68%
Net position:			
Net investment in capital assets	325	324	0.31%
Restricted	1,056	1,033	2.23%
Unrestricted	207	150	38.00%
Total net position	\$ 1,588	\$ 1,507	5.37%

Upper Explorerland Regional Planning Commission's net position increased approximately \$81,000 or 5.37% from fiscal year 2018 to fiscal year 2019. A portion of the Commission's net position is invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The Commission's restricted net position increased approximately \$23,000 or 2.23% over the prior year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements increased for the governmental activities approximately \$57,000 or 38.00%.

Beginning fund balance was restated by \$23,117 to correct accumulated depreciation for a building added in 1990.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following analysis shows the changes in net position for the governmental activities for the years ending June 30, 2019 and 2018:

	Changes in Net Position (Expressed in Thousands)		
	Governmental Activities		
	2019	2018	Percent Change
Revenues:			
Program revenue:			
Charges for service	\$ 303	\$ 537	-43.58%
Operating grants	2,739	2,950	-7.15%
General revenue:			
Rents	107	103	3.88%
Unrestricted investment earnings	7	1	600.00%
Other	4	3	33.33%
Total revenues	3,160	3,594	-12.08%
Program expenses:			
Salaries	918	1,005	-8.66%
Employee benefits	291	312	-6.73%
Travel and per diem	16	18	-11.11%
Contracted services	15	9	66.67%
Conferences and training	4	8	-50.00%
Other support	21	33	-36.36%
Equipment purchase/lease	4	107	-96.26%
Office supplies	3	6	-50.00%
Occupancy expense	62	76	-18.42%
Legal/professional fees	3	5	-40.00%
In-kind match	6	9	100.00%
Allocated costs	139	145	-4.14%
Interest	4	5	-20.00%
Grants/programs	1,544	1,869	-17.39%
Depreciation	26	28	-7.14%
Total expenses	3,056	3,635	-15.93%
Increase (decrease) in net position	104	(41)	-353.66%
Net position, beginning of year, restated	1,484	1,548	-4.13%
Net position, end of year	\$ 1,588	\$ 1,507	5.37%

INDIVIDUAL MAJOR FUND ANALYSIS

As the Commission completed the year, its governmental funds reported a combined fund balance of \$2,352,353, approximately \$25,000 increase of the 2018 fiscal year end balance of \$2,327,325.

- The ending general fund balance showed an increase of 6.51% from the prior year of \$857,114 to \$912,952. General fund revenues increased by approximately \$368,000 or 19.54%. Expenditures increased by approximately \$323,000 or 17.25%. The general fund can vary from year to year depending on various grants.
- Coordinating Service Providers (CSP) revenues decreased by approximately \$810,000 or 48.55% due to a decrease in YCC grant revenue, which also decreased expenditures by approximately \$810,000.

INDIVIDUAL MAJOR FUND ANALYSIS (Continued)

- The Revolving Loan Fund (RLF) balance at year end increased approximately \$7,000 over the prior year. There was one new loan during fiscal year 2019 and one loan that was paid off.
- The Intermediary Relending Program (IRP) revenues increased approximately \$5,000 over the prior year. Expenditures decreased approximately \$7,000. The revolving loan funds balance at year end decreased by approximately \$38,000 or 4.15%. There were two new loans during fiscal year 2019 and two loans that were paid off.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2019, the Commission had \$1,013,246 invested in a broad range of capital assets, including buildings, vehicles and equipment.

The Commission had depreciation expense of \$25,643 for fiscal year 2019 and total accumulated depreciation of \$260,179 as of June 30, 2019 for the governmental activities. More detailed information about the Commission's capital assets is presented in Note 3 to the financial statements.

Debt

At year-end, the Commission had \$831,052 in loans compared to \$915,274 in fiscal year 2018 for real estate and revolving loans. More detail is presented in Note 5 to the financial statements.

ECONOMIC FACTORS BEARING ON THE COMMISSION'S FUTURE

Upper Explorerland Regional Planning Commission, with input from local elected officials and citizens, considered various factors when setting the fiscal year 2019 budget and fees that will be charged for agency activities. The Commission's general operations are expected to remain consistent with the previous year but could vary according to contracts received during the year.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Commission's citizens, taxpayers, customers and creditors with a general overview of Upper Explorerland Regional Planning Commission's finances and to demonstrate the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Commission's Office, 325 Washington Street, Suite A, Decorah, IA 52101.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION
STATEMENT OF NET POSITION
June 30, 2019

EXHIBIT A

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 892,908
Receivables:	
Accounts	391,362
Interest	2,176
Prepaid expenses	7,032
Investments	8,746
Loan receivables	1,296,915
Capital assets, non-depreciable	170,392
Capital assets, net of accumulated depreciation	582,675
	3,352,206
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows of resources	241,617
	\$ 3,593,823
LIABILITIES	
Accounts payable	\$ 31,652
Due to other governments	11,397
Salaries and benefits payable	58,695
Accrued interest payable	1,851
Advances from grantors	144,245
Long-term liabilities:	
Portion due within one year:	
Notes payable	77,780
Compensated absences	73,699
Portion due after one year:	
Notes payable	753,272
Net pension liability	769,729
	1,922,320
DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows	84,063
NET POSITION	
Net investment in capital assets	324,823
Restricted for:	
HAWC	53,057
RLF	471,448
IRP	531,818
Unrestricted	206,294
	1,587,440
Total liabilities, deferred inflows of resources and net position	\$ 3,593,823

See Notes to Financial Statements.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Functions and Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position <u>Governmental Activities</u>
		Charges for Service	Operating Grants, Contributions and Restricted Interest	
Governmental activities:				
Community and economic development	\$ 3,056,018	\$ 302,849	\$ 2,742,902	\$ (10,267)
Total governmental activities	<u>\$ 3,056,018</u>	<u>\$ 302,849</u>	<u>\$ 2,742,902</u>	<u>(10,267)</u>
General revenues:				
Unrestricted investment earnings				6,717
Rents				<u>107,620</u>
Total general revenues				<u>114,337</u>
Change in net position				104,070
Net position, beginning of year, restated				<u>1,483,370</u>
Net position, end of year				<u>\$ 1,587,440</u>

See Notes to Financial Statements.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 June 30, 2019

	General	Special Revenue Funds			Nonmajor Governmental Funds	Total Governmental Funds
		Coordinating Service Providers (CSP)	Revolving Loan Fund (RLF)	Intermediary Relending Program (IRP)		
ASSETS						
Cash and cash equivalents	\$ 664,562	\$ 84,284	\$ 34,395	\$ 57,680	\$ 51,987	\$ 892,908
Receivables:						
Accounts	371,219	20,043		100		391,362
Interest			525	1,650	1	2,176
Prepaid expenses	7,032					7,032
Investments	8,746					8,746
Loan receivables			438,174	857,672	1,069	1,296,915
Total assets	\$ 1,051,559	\$ 104,327	\$ 473,094	\$ 917,102	\$ 53,057	\$ 2,599,139
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 8,812	\$ 22,840				\$ 31,652
Salaries and benefits payable	58,695					58,695
Accrued interest	797					797
Due to other governments	4,135	3,410	\$ 1,646	\$ 2,206		11,397
Advances from grantors	66,168	78,077				144,245
Total liabilities	138,607	104,327	1,646	2,206	\$ -	246,786
Fund balances:						
Restricted for:						
RLF			471,448			471,448
IRP				564,896		564,896
Local match				350,000		350,000
HAWC					53,057	53,057
Unassigned	912,952					912,952
Total fund balances	912,952	-	471,448	914,896	53,057	2,352,353
Total liabilities and fund balances	\$ 1,051,559	\$ 104,327	\$ 473,094	\$ 917,102	\$ 53,057	\$ 2,599,139

See Notes to Financial Statements.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

Reconciliation of governmental fund balances to net position:		
Total governmental fund balances	\$	2,352,353
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds, net of accumulated depreciation of \$ 260,179		
		753,067
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$	241,617
Deferred inflows of resources		(84,063)
		<u>157,554</u>
Some liabilities, including notes payable and accrued interest, other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds:		
Notes payable		(831,052)
Accrued interest		(1,054)
Compensated absences		(73,699)
Net pension liability		<u>(769,729)</u>
Net position of governmental activities per Exhibit A	\$	<u><u>1,587,440</u></u>

See Notes to Financial Statements.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	General	Special Revenue Funds			Nonmajor Governmental Funds	Total Governmental Funds
		Coordinating Service Providers (CSP)	Revolving Loan Fund (RLF)	Intermediary Relending Program (IRP)		
REVENUES						
Federal sources	\$ 438,423	\$ 837,813				\$ 1,276,236
Local sources:						
Interest	6,593		\$ 15,815	\$ 28,930	\$ 124	51,462
Rents	107,620					107,620
Other	1,698,512	20,168	2,418	3,672		1,724,770
Total revenues	2,251,148	857,981	18,233	32,602	124	3,160,088
EXPENDITURES						
Salaries	903,400		6,917	8,178		918,495
Employee benefits	284,548		2,348	2,789		289,685
Travel and per diem	16,932					16,932
Contracted services	15,051					15,051
Conferences and training	4,350					4,350
Other support	21,686					21,686
Equipment purchase/lease	3,252					3,252
Office supplies	2,451					2,451
Occupancy expense	62,142					62,142
Legal/professional fees	3,477					3,477
In-kind match	5,652					5,652
Allocated costs	157,842		1,481	1,835		161,158
Interest				3,166		3,166
Grants/programs	685,359	857,981				1,543,340
Long-term debt principal	29,168			55,055		84,223
Total expenditures	2,195,310	857,981	10,746	71,023	-	3,135,060
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	55,838	-	7,487	(38,421)	124	25,028
FUND BALANCES, beginning of year	857,114	-	463,961	953,317	52,933	2,327,325
FUND BALANCES, end of year	\$ 912,952	\$ -	\$ 471,448	\$ 914,896	\$ 53,057	\$ 2,352,353

See Notes to Financial Statements.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities:		
Net change in fund balances - total governmental funds	\$	25,028
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the current year, as follows:		
Depreciation	\$ (25,643)	
Capital outlays	22,900	(2,743)
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.		84,223
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.		306
The current year Commission IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the statement of net position.		81,637
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Pension expense	(85,424)	
Compensated absences	1,043	(84,381)
Change in net position of governmental activities per Exhibit B	\$	<u>104,070</u>

See Notes to Financial Statements.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

Upper Explorerland Regional Planning Commission (Commission) was created under Chapters 473A and 28E, State Code of Iowa as a regional planning organization to serve the counties of Allamakee, Clayton, Fayette, Howard and Winneshiek, Iowa. The Commission is governed by a Board of Commissioners appointed from the five counties. The Commission provides comprehensive studies and plans for the development of the five-county area. Its programs are financed from federal and state grants and contracts, county appropriations and interest earned on investments. In addition, the Commission administers various Community Development Block Grant programs and is responsible for administering the various programs established under the Workforce Investment Act and also provides special services in the form of printing, reproduction and mapping. The Commission through its Revolving Loan Fund Programs and Intermediary Relending Program makes low interest loans available to businesses in the five-county area.

The Commission's financial statements are prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

b. Significant Accounting Policies

Scope of Reporting Entity

For financial reporting purposes, Upper Explorerland Regional Planning Commission has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Commission; or the organization is fiscally dependent on the primary government. Also, any other organizations that due to the nature of significance of their relationship with the Commission should be included in the financial statements as component units. The Commission has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Venture

The Commission did participate in a jointly governed organization that provides services to the Commission and meets the criteria of a joint venture since there is ongoing financial interest or responsibility by the participating governments, however, as of September 18, 2017, the Commission withdrew as an anchor member of the Decorah MetroNet (MetroNet). The Commission has agreed to pay the balance owed of \$20,787 to MetroNet. See Note 5 for more details.

Government-wide Financial Statements

The statement of net position and the statement of activities report information on all of the non-fiduciary activities of the Commission. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by local tax support/dues and intergovernmental revenues.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Government-wide Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

The Commission has no business-type activities or fiduciary funds.

Fund Financial Statements

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The general fund, the CSP-special revenue fund, the RLF-special revenue fund, and the IRP-special revenue fund are the major governmental funds for the Commission. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The Commission reports the following major governmental funds:

General Fund

The general fund is the general operating fund of the Commission. All revenues not allocated by law, grant or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue Funds

The Coordinating Service Providers (CSP) Fund accounts for the revenues and expenditures of the Commission in its capacity as Fiscal Agent for Iowa Workforce Development Department sources including grants from the federal government.

The Revolving Loan Fund (RLF) accounts for the revenues and expenditures of the Revolving Loan Fund. The program makes low interest financing to new and expanding businesses in the five-county area.

The Intermediary Relending Program (IRP) accounts for the receipts and disbursements of the Intermediary Relending Program. The program also makes low interest financing to new and expanding businesses in the five-county area.

Measurement Focus and Basis of Accounting

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

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

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

Local tax support/dues and intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Commission.

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the Commission's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications - committed, assigned and then assigned fund balances.

The Commission maintains its financial records on the cash basis. The financial statements of the Commission are prepared by making memorandum adjusting entries to the cash basis financial records.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

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

Cash Management and Cash Equivalents

The cash balances of most Commission funds are invested. All short-term 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, have a maturity date no longer than three months.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position (Continued)

Accounts Receivables

The Commission considers all receivables to be fully collectible and, accordingly, no allowance for doubtful accounts has been established. If amounts become uncollectible, they will be expensed when that determination is made.

Loan Receivables

The Commission (through the IRP, RLF and HAWC Funds) loans out monies to provide financing to new and expanding businesses for which credit is not otherwise available on terms and conditions, which permit completion and/or the successful operation of proposed business activities. The Commission considers all loans to be fully collectible, and accordingly, no allowance for doubtful accounts has been established. If amounts become uncollectible, they will be expensed when that determination is made. A reserve for bad debts has been established for IRP Funds due to a provision in the IRP Revolving Fund Agreement. See Note 5 for more information on the IRP Reserve for Bad Debts.

Interfund Transactions

During the course of its operations, the Commission has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2019, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Most of the interfund transactions have been eliminated on the government-wide statements.

Due from Other Governments

Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Capital Assets

Capital assets, which include property, furniture, equipment and vehicles are reported in the government-wide statement of net position. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are defined by the Commission as assets with an initial, individual cost in excess of \$3,000 and estimated useful lives in excess of one year.

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

Asset Class	Estimated Useful Lives
Buildings and improvements	10-39 years
Furniture, equipment and vehicles	4-10 years

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position (Continued)

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position applicable 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 Commission after the measurement date but before the end of the Commission's reporting period.

Advances from Grantors

Grant proceeds which have been received by the Commission but will be spent in a succeeding fiscal year.

Salaries and Benefits Payable

Payroll and related expenditures for employees earned in June and paid in July have been accrued as liabilities. The rate in effect at June 30, 2019 was used to calculate the salaries payable.

Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net position.

Compensated Absences

Commission employees accumulate a limited amount of earned but unused vacation and compensatory overtime for subsequent use. Earned and unused vacation and compensatory overtime may be paid upon termination, death or retirement. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2019. The compensated absences liability attributable to the governmental activities will be paid primarily by the general fund.

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. The net pension liability attributable to the governmental activities will be paid primarily by the general fund.

Deferred Inflows of Resources

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.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position (Continued)

Fund Balance

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

Restricted - amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed - amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Commission through resolution approved prior to year-end. Committed amounts cannot be used for any other purpose unless the Commission removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - all amounts not included in the preceding classifications.

Net Position

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net position consists of net position with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position. Restricted net position is used first when an expense is incurred for purposes for both restricted and unrestricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

Budgets and Budgetary Accounting

Upper Explorerland Regional Planning Commission does prepare financing and spending budgets for programs on a project basis. The Commission is not required to adopt a legal budget under state law.

Management Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

2. Cash Management and Cash Equivalents

The Commission's deposits in banks at June 30, 2019 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.

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Commissioners; 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.

3. Capital Assets

Capital assets activity for the year ended June 30, 2019 is as follows:

	(Restated) Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Governmental activities:				
Land	\$ 170,392	\$ None	\$ None	\$ 170,392
Total capital assets not being depreciated	170,392	None	None	170,392
Capital assets being depreciated:				
Buildings and improvements	745,352	None	None	745,352
Furniture, equipment and vehicles	101,996	22,900	(27,394)	97,502
Total capital assets being depreciated	847,348	22,900	(27,394)	842,854
Less accumulated depreciation for:				
Buildings and improvements	173,162	19,964	None	193,126
Furniture, equipment and vehicles	88,768	5,679	(27,394)	67,053
Total accumulated depreciation	261,930	25,643	(27,394)	260,179
Total capital assets being depreciated, net	585,418	(2,743)	None	582,675
Governmental activities:				
Capital assets	\$ 755,810	\$ (2,743)	\$ None	\$ 753,067

The Commission had no capitalized interest costs for the year ended June 30, 2019.

NOTES TO FINANCIAL STATEMENTS

4. **Investments**

The Commission's investments are stated at fair value and consist of the following:

Description	Fair Value June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stock	\$ 8,746	\$ 8,746	None	None

Fair values for investments in level 1 are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values for investments in level 2 are determined based on recent prices of similar assets. Fair values for level 3 are based on significant unobservable inputs for the asset or liability.

5. **Long-term Debt Obligations**

Long-term liability activity for the year ended June 30, 2019 is as follows:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year
Notes payable:					
Freedom Bank	\$ 454,909	\$ None	\$ 26,668	\$ 428,241	\$ 19,666
USDA (01)	201,698	None	40,428	161,270	40,842
USDA (04)	235,380	None	14,626	220,754	14,772
Decorah MetroNet	23,287	None	2,500	20,787	2,500
Other liabilities:					
Compensated absences	74,742	73,699	74,742	73,699	73,699
Governmental activities:					
Long-term liabilities	\$ 990,016	\$ 73,699	\$ 158,964	\$ 904,751	\$ 151,479

Notes Payable

Freedom Bank

Is to be repaid in 119 monthly payments of \$3,142 that began on November 15, 2013 with a balloon payment due on October 15, 2023. The interest rate is 4.5%. The note is collateralized by real estate. The Commission has been making additional principal payments of \$750 a month.

USDA (01)

Is a loan agreement with Rural Development, United States Department of Agriculture which was signed on March 21, 1993. This loan agreement created the IRP Revolving Loan Fund. The purpose of the loan is to provide "low interest financing to new and expanding businesses for which credit is not otherwise available or terms and conditions are not available which would permit completion and/or the successful operation of the proposed business activities." In order to secure this loan, the Commission received \$250,000 in capital contributions from the five counties it represents. The loan was for \$1,000,000 and will be repaid in twenty-seven annual payments of \$42,445.53 that began on March 29, 1997 and the final payment will be due on March 29, 2023. The interest rate is 1%.

NOTES TO FINANCIAL STATEMENTS

5. Long-term Debt Obligations (Continued)

Notes Payable (Continued)

USDA (04)

Is a loan agreement with Rural Development, United States Department of Agriculture which was signed on March 20, 2003. This was for an additional \$400,000 loan. In order to secure this loan, the Commission had to contribute \$100,000. The loan will be repaid in twenty-seven annual payments of \$16,980 that began on March 20, 2007 and the final payment will be due on March 20, 2033. The interest rate is 1%.

On March 20, 2003, the Commission and Rural Development, United States Department of Agriculture agreed to combine the original \$1,000,000 IRP Revolving Loan Fund with the subsequent \$400,000 IRP Loan Fund. Under the new "Amended IRP Revolving Fund Agreement," the loans will both be managed under the terms of the 4274-D regulations. The new agreement requires the Commission to create a "Reserve for Bad Debt." The Reserve for Bad Debt should equal 6% of the outstanding principal balance of the ultimate recipient loans. The Reserve for Bad Debt should be approximately 6% of \$857,672 or \$51,460. The June 30, 2019 balance was \$51,460, which met the requirement.

Decorah MetroNet

As of September 18, 2017, the Commission has withdrawn as an anchor member of the Decorah MetroNet. The Commission will pay no less than \$2,500 per year, payable on or before the 1st day of June 2018 and the 1st day of each June thereafter through June 1, 2028 when any remaining balance will be due and payable in full.

The original investment of \$77,500 was removed as an investment and expensed on the statement of revenues, expenditures and changes in fund balances in fiscal year 2018.

A summary of principal and interest maturities is as follows:

Year Ending June 30,	Notes Payable							
	Freedom Bank		USDA (01)		USDA (04)		MetroNet	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	
2020	\$ 19,666	\$ 18,038	\$ 40,842	\$ 1,604	\$ 14,772	\$ 2,208	\$ 2,500	
2021	19,721	17,982	41,241	1,204	14,920	2,060	2,500	
2022	20,627	17,076	41,654	792	15,069	1,911	2,500	
2023	21,575	16,129	37,533	384	15,220	1,760	2,500	
2024	22,566	15,138	None	None	15,372	1,608	2,500	
2025-2029	324,086	8,355	None	None	79,197	5,703	8,287	
2030-2033	None	None	None	None	66,204	1,663	None	
	\$ 428,241	\$ 92,718	\$ 161,270	\$ 3,984	\$ 220,754	\$ 16,913	\$ 20,787	

6. Pension Plan*Plan Description*

IPERS membership is mandatory for employees of the Commission, except for those covered by another retirement system. Employees of the Commission 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 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, any time 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.

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.

6. Pension Plan (Continued)

Contributions

Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State 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 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Commission contributed 9.44% of covered payroll, for a total rate of 15.73%.

The Commission's contributions to IPERS for the year ended June 30, 2019 totaled \$81,637.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the Commission reported a liability of \$769,729 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on the Commission's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2018, the Commission's proportion was 0.012163%, which was an increase of 0.000743% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Commission recognized pension expense of \$85,424. At June 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,220	\$ 17,397
Changes of assumptions	109,807	
Net difference between projected and actual earnings on IPERS' investments		21,149
Changes in proportion and differences between Commission contributions and the Commission's proportionate share of contributions	45,953	45,517
Commission contributions subsequent to the measurement date	81,637	
Total	\$ 241,617	\$ 84,063

6. Pension Plan (Continued)

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$81,637 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. 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 Ending June 30,</u>	<u>Amount</u>
2020	\$ 51,953
2021	27,832
2022	(8,906)
2023	3,566
2024	<u>1,472</u>
Total	<u>\$ 75,917</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25% to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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.

NOTES TO FINANCIAL STATEMENTS

6. Pension Plan (Continued)

Actuarial Assumptions (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-term Expected Real Rate of Return
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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 Commission 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 Commission's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Commission's proportionate share of the net pension liability	\$ 1,306,385	\$ 769,729	\$ 319,555

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.

Payables to IPERS

At June 30, 2019, the Commission reported payables to IPERS of \$12,147 for legally required contributions which had not yet been remitted to IPERS.

7. Medical Insurance/Health Alternative

Plan Description

The Commission operates a benefit plan which provides medical/prescription drug benefits for active employees. There are 17 active members currently in the plan. The medical/prescription drug benefits are provided through a plan with Wellmark. The Commission partially self-insures. The plan deductible is \$4,000 and the Commission self-insures to a \$750 deductible. The Commission has a third-party administrator to handle the claims. Regular full-time employees are eligible for single coverage health insurance. Employees who refuse coverage under the Commission's health insurance policy will be allowed \$175 to a 457(b)-tax sheltered annuity under a plan established by the Commission.

In addition, the Commission offers dental and vision coverage for current employees and their families.

Regular part-time employees (working a minimum of 1,560 hours per year) will be eligible for the medical insurance benefit according to hours worked. An employee who is laid off or resigns may continue coverage under the Commission's current medical insurance policy as provided by federal and state COBRA law in effect at the time of the lay off or resignation.

Funding Policy

The contribution requirements of plan members are established and may be amended by the Commission. The most recent active member monthly premium for the Commission and plan members was \$662 medical, \$40 dental, and \$10 for vision. Family coverage is available and the monthly cost to the employee is \$1,321 for medical, \$93 for dental, and \$None for vision.

The Commission requires all employees on their plan to contribute 10% of the cost of their medical premium. The Commission pays dental and vision.

For the year ended June 30, 2019, the Commission contributed \$118,860 to the plan.

8. Risk Management

Upper Explorerland Regional Planning Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Commission assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

9. Support from Governmental Units

The Commission receives substantially all of its support from federal, state and local governments. A significant reduction in the level of this support, if this were to occur, would have a significant effect on the Commission's programs and activities.

NOTES TO FINANCIAL STATEMENTS

10. Indirect Costs

Upper Explorerland Regional Planning Commission has adopted a cost allocation plan to allocate indirect costs to the various programs. Any cost, which cannot be assigned directly to a program, is allocated based upon this cost allocation plan. Indirect costs allocated to the various programs for the year ended June 30, 2019, totaled \$161,158.

WIOA Division charges all payroll directly to grants based on actual expenditures in accordance with the Uniform Guidance. Fringe benefits are distributed to the various grant/program areas based on total payroll percentages calculated any given month for the various grant program areas.

The Commission Division allocates indirect costs to all grants in accordance with the Uniform Guidance.

Fringe benefits are distributed to the various grant-program areas based on a total payroll percentage. Total payroll percentage is determined by first obtaining a percentage of the administrative staff charged directly to grant/program areas and adding "pool salaries" which are allocated based on the direct salary percentage.

Indirect costs are allocated based on the direct payroll percentages.

11. Restricted Net Position

As of June 30, 2019, the Commission's restricted net position consists of the following:

Net Position:		
HAWC	\$	53,057
RLF		471,448
Net Position:		
IRP:		
Local match	\$	350,000
Loan pool		130,358
Reserve for bad debt		51,460
		531,818
Total restricted net position	\$	1,056,323

12. Operating Leases

The Commission has a two-year lease for office space in Waukon, Iowa and expired June 30, 2019. The lease is \$75 per month, but the Commission subleases space to Northeast Iowa Community Action Corporation for \$30 per month. The sublease is for twenty-four months and ended on June 30, 2019.

13. Fiscal Agent

The Commission acts as a fiscal agent for various programs. Monies are passed through to other parties as needed. Pass through dollars held by the Commission at June 30, 2019 are as follows:

HAWC Revolving Loan Fund	\$	53,057
Northeast Iowa Business Network (NIBN)		31,732
		84,789
Total	\$	84,789

NOTES TO FINANCIAL STATEMENTS

14. Functional Allocation of Expenses

As of June 30, 2019, the costs of providing various programs and other activities have been allocated on a functional basis and are as follows:

Salaries	\$	918,495
Employee benefits		293,028
Travel and per diem		16,932
Contracted services		15,051
Conferences and training		4,350
Equipment purchase/lease		3,252
Office supplies		2,451
Occupancy expense		81,066
Legal/professional fees		3,477
In-kind match		4,835
Allocated costs		139,878
Interest		4,220
Grants/programs		1,543,340
Depreciation		25,643

Total	\$	3,056,018

15. Related Party Transactions

The Commission contracts for the administration of Upper Explorerland Regional Housing Authority (Housing Authority). The Housing Authority is a governmental organization that is an agent for landlords who rent housing facilities to low income individuals with assistance from the federal government. The Housing Authority operates in Allamakee, Clayton, Fayette, Howard and Winneshiek counties of Northeast Iowa. Rachelle Howe, Executive Director of the Commission, is also the Director of the Housing Authority. The Commission bills the Housing Authority for direct salaries, fringe benefits, and overhead. During the fiscal year ended June 30, 2019, this amounted to \$216,829. The Housing Authority was audited separately as of June 30, 2019, and received an unmodified opinion dated December 2, 2019.

The Commission contracts with UERPC Housing, Inc. and provides management and administrative services including, but not limited to, grant writing services and applying for funding. Fees related to these services for the year amounted to \$67,153. The UERPC Housing, Inc. was audited separately as of June 30, 2019, and received an unmodified opinion dated November 14, 2019.

16. Contingencies

Grant Funding

The Commission participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units and can vary from year to year. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the Commission may be required to reimburse the grantor government. As of June 30, 2019, significant amounts of grant expenditures have not been audited by granting authorities, but the Commission believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Commission.

17. Prospective Accounting Change

The Governmental Accounting Standards Board (GASB) has issued one statement not yet implemented by the Commission. This statement which might impact the Commission is as follows:

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the fiscal year ending June 30, 2021. The Statement increases the usefulness of governments' financial statement by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

The Commission's management has not yet determined the effect this statement will have on the Commission's financial statements.

18. Restatement

Beginning fund balance was restated by a decrease of \$23,117 to correct accumulated depreciation for a building added in 1990.

19. Subsequent Events

Management has evaluated subsequent events through January 13, 2020, the date on which the financial statements were available to be issued.

20. Dual Dated Report

The federal expenditures amount for the revolving loan fund changed on the Schedule of Expenditures of Federal Awards on page 37 of the report due to subsequent correspondence from the federal agency.

Required Supplementary Information

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 For the Last Five Years*
 (In Thousands)

	2019	2018	2017	2016	2015
Commission's proportion of the net pension liability	0.012163%	0.011420%	0.012614%	0.012394%	0.011920%
Commission's proportionate share of the net pension liability	\$ 770	\$ 761	\$ 794	\$ 612	\$ 473
Commission's covered payroll	\$ 930	\$ 852	\$ 907	\$ 840	\$ 784
Commission's proportionate share of the net pension liability as a percentage of its covered payroll	82.80%	89.32%	87.54%	72.86%	60.33%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	81.82%	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 Notes to Required Pension Liability Information and Independent Auditor's Report.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF COMMISSION CONTRIBUTIONS
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 For the Last Ten Years
 (In Thousands)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Statutorily required contribution	\$ 81	\$ 83	\$ 76	\$ 81	\$ 75	\$ 70	\$ 71	\$ 90	\$ 100	\$ 53
Contributions in relation to the statutorily required contribution	(81)	(83)	(76)	(81)	(75)	(70)	(71)	(90)	(100)	(53)
Contribution deficiency (excess)	<u>\$ -</u>									
Commission's covered payroll	\$ 859	\$ 930	\$ 852	\$ 907	\$ 840	\$ 784	\$ 819	\$ 1,115	\$ 1,439	\$ 797
Contributions as a percentage of covered payroll	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%

See Notes to Required Pension Liability Information and Independent Auditor's Report.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year Ended June 30, 2019

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.

Changes of Assumptions

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) 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.

See Independent Auditor's Report.

Other Supplementary Information

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2019

	Special Revenue Fund HAWC	Total Nonmajor Funds
ASSETS		
Cash and cash equivalents	\$ 51,987	\$ 51,987
Receivables:		
Interest	1	1
Loan receivables	1,069	1,069
	<u>53,057</u>	<u>53,057</u>
Total assets	<u>\$ 53,057</u>	<u>\$ 53,057</u>
FUND BALANCES		
Fund balances:		
Restricted for:		
HAWC	\$ 53,057	\$ 53,057
	<u>53,057</u>	<u>53,057</u>
Total liabilities and fund balances	<u>\$ 53,057</u>	<u>\$ 53,057</u>

See Independent Auditor's Report.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2019

	Special Revenue Fund <u>HAWC</u>	Total Nonmajor Funds <u></u>
REVENUES		
Local sources:		
Interest	\$ 124	\$ 124
Total revenues	<u>124</u>	<u>124</u>
EXPENDITURES		
Allocated costs	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	124	124
FUND BALANCES, beginning of year	<u>52,933</u>	<u>52,933</u>
FUND BALANCES, end of year	<u>\$ 53,057</u>	<u>\$ 53,057</u>

See Independent Auditor's Report.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

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

- (a) The auditor's report expresses unmodified opinions on whether the financial statements of Upper Explorerland Regional Planning Commission were prepared in accordance with U.S. generally accepted accounting principles.
- (b) One significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements. No material weaknesses noted.
- (c) No instances of noncompliance material to the financial statements of Upper Explorerland Regional Planning Commission, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- (d) One significant deficiency in internal control over the major programs was disclosed by the audit of the financial statements. No material weaknesses noted.
- (e) The auditor's report on compliance for the major federal award programs for Upper Explorerland Regional Planning Commission expresses an unmodified opinion on all major federal programs.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with 2 CFR Section 200.516(a).
- (g) The programs tested as major programs were as follows:
 - WIOA Cluster:
 - 17.258 – WIOA Adult Program
 - 17.259 – WIOA Youth Activities
 - 17.278 – WIOA Dislocated Worker Formula Grants
- (h) The threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Upper Explorerland Regional Planning Commission did qualify as a low-risk auditee.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

Part II: Findings Related to the Financial Statements:

Instances of noncompliance: no matters were noted.

Internal control deficiencies:

Finding 2019-001 Overlapping Duties

Condition: The Commission's offices are not large enough to permit an adequate segregation of duties for effective internal controls. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

Criteria: Proper controls over financial reporting include adequate segregation of duties.

Cause: The concentration of closely related duties and responsibilities such as the recording and processing of cash receipts, preparing grant expenditure reports, preparing financial information for posting and analyzing financial information by a small staff makes it impossible to establish an adequate system of automatic internal checks on the accuracy and reliability of the accounting records.

Effect: This deficiency results in a reasonable possibility that the Commission would not be able to detect misstatements that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Recommendation: While we do recognize that the Commission is not large enough to permit a segregation of duties for effective internal controls, we believe it is important the Commission be aware that this condition does exist.

**Views of Responsible
Officials and Planned**

Corrective Actions: Management is cognizant of this limitation and will implement additional controls where possible.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

Part III: Findings and Questioned Costs for Federal Awards:

Instances of noncompliance: no matters were noted.

Internal control deficiencies:

- **WIOA Cluster:**
 - 17.258 – WIOA Adult Program
 - 17.259 – WIOA Youth Activities
 - 17.278 – WIOA Dislocated Worker Formula Grants

Federal Award Year: 2019

Passed through the Iowa Workforce Development

See 2019-001 above.

Part IV: Other Findings Related to Required Statutory Reporting:

See management letter dated January 13, 2020

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2019

Grantor/Program	CFDA Number	Grant Number	Period of Grant	Passed Through to Subrecipients	Program Expenditures
Direct:					
U.S. Department of Commerce: Economic Development: Support for Planning Organizations	11.302	EDA-DEN-PL-DRO-2016-2004705	7/1/15-6/30/19		\$ 70,000
U.S. Department of Labor: Youth Career Connect	17.274	YC-25422-14-60-A-19	4/1/14-4/30/19	\$ 169,183	186,893
Indirect pass through:					
Iowa Workforce Development: Title I - Administration	17.258/17.259/17.278	17-W-01-WI-OA	7/1/15-6/30/20	31,770	65,927
Title I - Adult	17.258	17-W-01-WI-OA	7/1/15-6/30/20	88,962	174,885
WIOA Youth in School	17.259	17-W-01-WI-OA	7/1/15-6/30/20	134,575	212,319
WIOA Dislocated Worker RR DLW	17.278	17-W-01-WI-9A 18-W-PF-ID-0-17	7/1/15-6/30/20 7/1/15-6/30/20	51,449 22,624	137,665 60,124
				<u>74,073</u>	<u>197,789</u>
Subtotal WIOA Cluster				329,380	650,920
Subtotal U.S. Department of Labor				498,563	837,813
U.S. Department of Transportation: Safe Routes to School	20.205	FTA-44.31.81 FTA-44.31.81 FTA-44.31.81 TAP-R-000S(829)-8T-00 TAP-R-000S(868)-8T-00	7/1/17-6/30/18 7/1/17-6/30/18 7/1/17-6/30/18 8/3/17-8/3/18 9/7/18-9/30/19		29,523 39,764 25,076 14 42,514
					<u>136,891</u>
Pass through Iowa Department of Transportation: Formula Grants for Rural Areas	20.509	FTA-44.24.00	7/1/17-6/30/18		13,565
Subtotal U.S. Department of Transportation					<u>150,456</u>
Federal Emergency Management Agency: Allamakee Hazard Mitigation	97.042	PDMC-PL-07-1A2015-005-01	4/1/16-10/30/18		311

See Independent Auditor's Report.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

Grantor/Program	CFDA Number	Grant Number	Period of Grant	Passed Through to Subrecipients	Program Expenditures
Direct (Continued):					
U.S. Department of Housing and Urban Development:					
Pass through Iowa Finance Authority:					
Home Investment Partnerships Program (HOME):					
Tenant Based Rental Assistance	14.239	17-HM-520	11/1/17-10/1/19		\$ 37,879
Community Development Block Grant:					
Monona	14.228	16-HSG-023	7/21/16-7/31/19		10,308
Fayette		18-HSG-008	8/8/18-8/31/21		3,799
Cresco		18-HSG-006	8/8/18-8/31/21		4,249
UERPC Homebuyer		17OCT-HM-187	12/6/17-12/31/19		27,890
Hawkeye		18-WS-015	6/6/18-6/30/21		7,076
Garnavillo		18-CF-001	7/11/18-7/31/21		4,133
Strawberry Point		16-HSG-024	7/21/16-7/31/19		13,224
Postville		18-HSG-020	8/8/18-8/31/21		3,555
McGregor		16-HSG-003	7/1/16-4/1/19		14,471
Oelwein		17-HSG-015	6/23/17-6/30/20		12,612
Garnavillo		17-HSG-006	6/23/17-6/30/20		15,200
Postville		16-WS-014	7/11/16-7/11/19		23,593
Ridgeway		17-WS-010	3/22/17-3/31/20		18,220
Calmar		17-WS-022	10/1/17-10/1/20		18,664
New Albin		18-WS-018	6/6/18-6/6/21		2,784
					<u>179,778</u>
Subtotal U.S. Department of Housing and Urban Development					<u>217,657</u>
Loan Balance:					
U.S. Department of Agriculture:					
Housing Loans	10.415		01		201,698
Housing Loans	10.415		04		235,380
					<u>437,078</u>
U.S. Department of Commerce:					
Economic Development:					
Title IX Economic Adjustment Program:					
Revolving Loan Fund	11.307	05-39-02360	Perpetual		363,778
Total Federal Financial Assistance				\$ 498,563	\$ 2,077,093

See Independent Auditor's Report.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2019

Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Upper Explorerland Regional Planning Commission under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) 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 Upper Explorerland Regional Planning Commission, it is not intended to and does not present the financial position, changes in net position or cash flows of Upper Explorerland Regional Planning Commission.

Summary of Significant Accounting Policies:

- 1) Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

- 2) Pass-through entity identifying numbers are presented where available.

Indirect Cost Rate:

Upper Explorerland Regional Planning Commission has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Loan Outstanding:

Upper Explorerland Regional Planning Commission had the following loan balance outstanding at June 30, 2019.

<u>Loan Balance</u>	<u>Federal CFDA Number</u>	<u>Pass-through Identifying Number</u>	<u>Expenditures</u>
Housing Loans	10.415	01	\$ 161,270
Housing Loans	10.415	04	220,754
			<u>382,024</u>
 Revolving Loan	 11.307	 05-39-02360	 <u>438,174</u>
			<u>\$ 820,198</u>

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 Commissioners
Upper Explorerland Regional Planning Commission
Decorah, Iowa

We have audited, in accordance with the 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 the governmental activities, each major fund, and the aggregate remaining fund information of Upper Explorerland Regional Planning Commission, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Upper Explorerland Regional Planning Commission's basic financial statements and have issued our report thereon dated January 13, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Upper Explorerland Regional Planning Commission's Response to Finding

Upper Explorerland Regional Planning Commission's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Upper Explorerland Regional Planning Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Hacker, Nelson & Co., P.C.

Decorah, Iowa
January 13, 2020

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

To the Board of Commissioners
Upper Explorerland Regional Planning Commission
Decorah, Iowa

Report on Compliance for Each Major Federal Program

We have audited Upper Explorerland Regional Planning Commission's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Upper Explorerland Regional Planning Commission's major federal programs for the year ended June 30, 2019. Upper Explorerland Regional Planning Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Upper Explorerland Regional Planning Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Upper Explorerland Regional Planning Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Upper Explorerland Regional Planning Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, Upper Explorerland Regional Planning Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of Upper Explorerland Regional Planning Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Upper Explorerland Regional Planning Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Upper Explorerland Regional Planning Commission's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

Upper Explorerland Regional Planning Commission's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Upper Explorerland Regional Planning Commission's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Hacker, Nelson & Co., P.C.

Decorah, Iowa
January 13, 2020

MANAGEMENT LETTER

To the Board of Commissioners
Upper Explorerland Regional Planning Commission
Decorah, Iowa

In planning and performing our audit of the basic financial statements of Upper Explorerland Regional Planning Commission for the year ended June 30, 2019, we considered the Commission's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

However, during our audit we became aware of a few matters that is an opportunity for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding these matters. A separate report dated January 13, 2020, contains our report on the Commission's internal control over financial reporting. This letter does not affect our report dated January 13, 2020, on the basic financial statements of Upper Explorerland Regional Planning Commission. All prior year comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the Commission's responses and, accordingly, we express no opinion on them.

1. Travel and Meal Disbursements Documentation

During the audit, we discovered one disbursement for an employee to be reimbursed for a meal when there was a meal provided at training they attended. There was also a credit card statement that did not have all the receipts attached for travel expenses such as hotel rooms.

Recommendation

We recommend that policies are updated to create travel and reimbursement guidelines to help staff determine what is reasonable meal and travel reimbursable expenses.

Response

The Commission agrees and has already held a department head meeting discussing the current policy and what changes should be implemented in order to clarify reasonable travel expenses for reimbursement.

Conclusion

Response accepted.

2. Holding Checks

During our audit, we noted that a check was written on May 10, 2019 for a loan, but then closing was pushed back until July, so check was held and then later altered with new date.

Recommendation

We recommend the Commission does not hold and alter checks. The check should have been voided and a new check issued in order to keep cash accurate.

Response

The Commission agrees and will no longer hold checks and alter date.

Conclusion

Response accepted.

This report, a public record by law, is intended solely for the information and use of the Board of Commissioners, management, others within the Commission, and federal awarding agencies and pass-through entities to whom the Commission may report. The report is not intended to be, and should not be, used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of Upper Explorerland Regional Planning Commission during the course of our audit. If you have any questions concerning these or other matters, we would be happy to discuss them with you at your convenience.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
January 13, 2020