

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

**FINANCIAL REPORT**

**JUNE 30, 2017**

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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, 2017, 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, 2017, 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 4e 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, 2017 basic financial statements. The supplementary information presented 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), is presented for purposes of additional analysis and is 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information shown on Schedules 1 through 4, including the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the year ended June 30, 2017 basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2018, 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 15, 2018

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION  
DECORAH, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2017

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, 2017. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

2017 FINANCIAL HIGHLIGHTS

- Revenues of the Commission's governmental activities increased 25.27% or approximately \$795,000 from fiscal year 2016 to fiscal year 2017.
- Program expenses were 24.41% or approximately \$757,000 more in fiscal year 2017 than in fiscal year 2016. Grants/programs expenses increased approximately \$639,000.
- The Commission's net position increased 5.67% or approximately \$83,000 from June 30, 2016 to June 30, 2017.

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 accounts 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:

<b>Condensed Statement of Net Position</b>			
<b>(Expressed in Thousands)</b>			
<b>Governmental Activities</b>			
	2017	2016	Percent Change
Current and other assets	\$ 2,909	\$ 2,703	7.62%
Capital assets	809	822	-1.58%
Total assets	3,718	3,525	5.48%
 Deferred outflows of resources	 246	 135	 100.00%
Current liabilities	545	352	54.83%
Noncurrent liabilities	1,813	1,722	5.28%
Total liabilities	2,358	2,074	13.69%
 Deferred inflows of resources	 58	 121	 -52.07%
 Net position:			
Net investment in capital assets	328	317	3.47%
Restricted	1,026	1,024	0.20%
Unrestricted	194	124	56.45%
Total net position	\$ 1,548	\$ 1,465	5.67%

Upper Explorerland Regional Planning Commission's net position increased approximately \$83,000 or 5.67% from fiscal year 2016 to fiscal year 2017. 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 \$2,000 or 0.2% 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 \$70,000 or 56.45%.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

The following analysis shows the changes in net position for the governmental activities for the years ending June 30, 2017 and 2016:

	Changes in Net Position		
	(Expressed in Thousands)		
	Governmental Activities		
	2017	2016	Percent Change
Revenues:			
Program revenue:			
Charges for service	\$ 692	\$ 649	6.63%
Operating grants	3,142	2,422	29.73%
General revenue:			
Rents	102	73	39.73%
Unrestricted investment earnings	1	1	0.00%
Other	4	1	300.00%
Total revenues	3,941	3,146	25.27%
Program expenses:			
Salaries	961	969	-0.83%
Employee benefits	287	216	32.87%
Travel and per diem	22	20	10.00%
Contracted services	37	50	-26.00%
Conferences and training	5	9	-44.44%
Client training	36	41	-12.20%
Other support	93	40	132.50%
Equipment purchase/lease	1	7	-85.71%
Office/office supplies	18	14	28.57%
Occupancy expense	59	50	18.00%
Legal/professional fees	3	9	-66.67%
Allocated costs	175	153	14.38%
Interest	5	6	-16.67%
Grants/programs	2,123	1,484	43.06%
Depreciation	33	33	100.00%
Total expenses	3,858	3,101	24.41%
Increase in net position	83	45	-84.44%
Net position, beginning of year	1,465	1,420	3.17%
Net position, end of year	\$ 1,548	\$ 1,465	5.67%

**INDIVIDUAL MAJOR FUND ANALYSIS**

As the Commission completed the year, its governmental funds reported a combined fund balance of \$2,365,332, approximately \$13,000 increase of the 2016 fiscal year end balance of \$2,352,647.

- The ending general fund balance showed an increase of 8.32% from the prior year of \$781,257 to \$846,259. General fund revenues increased by approximately \$15,000 or 0.8%. Expenditures decreased by approximately \$8,000 or 0.4%. The general fund can vary from year to year depending on various grants.
- Coordinating Service Providers (CSP) revenues increased by approximately \$781,000 or 61.19% due to an increase in YCC grant revenue.

## INDIVIDUAL MAJOR FUND ANALYSIS (Continued)

- Revolving Loan Fund (RLF) revenues increased approximately \$3,000 over the prior year. Expenditures increased approximately \$12,000 over the prior year. The revolving loan funds balance at year end stayed approximately the same at \$461,000. There was one new loan during fiscal year 2017.
- The Intermediary Relending Program (IRP) revenues increased approximately \$3,000 over the prior year. Expenditures increased approximately \$11,000. The revolving loan funds balance at year end decreased by approximately \$52,000 or 4.92%. There were two new loans during fiscal year 2017.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### *Capital Assets*

At the end of fiscal year 2017, the Commission had \$1,034,351 invested in a broad range of capital assets, including buildings, vehicles and equipment.

The Commission had depreciation expense of \$32,974 for fiscal year 2017 and total accumulated depreciation of \$225,523 as of June 30, 2017 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 \$972,092 in loans compared to \$1,050,563 in fiscal year 2016 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

- Fiscal year 2016-2017 has been a year of review and reflection for UERPC. The organization updated their bylaws, articles of agreement, employee handbook, investment plan, capitalization plan, and credit card policy. The updates not only gave the Board a time to review each plan but also dream as to what the future holds for the agency. The Commission also contracted from an outside source to assist in the employee pay plan. A committee of staff members to assist with the pay plan was developed and it is hoped to be completed in 2018.
- UERPC planning and general administration revenue is expected to tighten as compared with the previous year. Federal and state capital and operating grants are expected to further tighten moving forward due to federal budget concerns. UERPC is preparing for the reduction of funding. With the new Sage 50 financial program, the Commission has reduced financial staff from four to two members over the past two years. The Commission also reduced its' housing inspector position as well as the contractual work with outside planners. This work will be carried out with in-house staff. The Commission continues to diversify their work to fulfill the needs of the region such as fiscal agent and administrative work, contracting employees to various agencies, and researching and writing new grants for our counties and communities. These fee-based services are more important than ever to the Commission's budget.
- Consolidation of services as a result of decreased funding at the local and state level may provide opportunities for the Commission to provide services in areas not currently provided. The Commission is a member of the Iowa Association of Regional Councils and is providing new lines of business in consortium with its sister organizations statewide. The need of increased skilled workforce, safe and affordable housing, improved roads, bridges and infrastructure needs, and planning efforts are still the staff's primary focus. UERPC will continue to provide affordable services and improve lives for our communities and counties.

## 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, 2017

EXHIBIT A

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,219,543
Receivables:	
Accounts	391,913
Interest	1,987
Due from other governments	242,138
Prepaid expenses	4,939
Investments	87,175
Loan receivables	961,073
Capital assets, non-depreciable	170,392
Capital assets, net of accumulated depreciation	638,436
<b>Total assets</b>	<b>3,717,596</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related deferred outflows of resources	246,329
<b>Total assets and deferred outflows of resources</b>	<b>\$ 3,963,925</b>
<b>LIABILITIES</b>	
Accounts payable	\$ 372,373
Salaries and benefits payable	49,008
Accrued interest payable	2,315
Advances from grantors	121,094
Long-term liabilities:	
Portion due within one year:	
Notes payable	70,902
Compensated absences	46,674
Portion due after one year:	
Notes payable	901,190
Net pension liability	793,830
<b>Total liabilities</b>	<b>2,357,386</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related deferred inflows	58,180
<b>NET POSITION</b>	
Net investment in capital assets	328,322
Restricted for:	
HAWC	52,669
RLF	461,440
IRP	512,021
Unrestricted	193,907
<b>Total net position</b>	<b>1,548,359</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 3,963,925</b>

See Notes to Financial Statements.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2017

Functions and Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Service	Operating Grants, Contributions and Restricted Interest	
<b>Governmental activities:</b>				
Community and economic development	\$ 3,857,706	\$ 692,150	\$ 3,141,894	\$ (23,662)
Total governmental activities	<u>\$ 3,857,706</u>	<u>\$ 692,150</u>	<u>\$ 3,141,894</u>	<u>(23,662)</u>
<b>General revenues:</b>				
Unrestricted investment earnings				1,063
Rents				102,348
Other				<u>3,721</u>
Total general revenues				<u>107,132</u>
Change in net position				83,470
Net position, beginning of year				<u>1,464,889</u>
Net position, end of year				<u>\$ 1,548,359</u>

See Notes to Financial Statements.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2017

	Special Revenue Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General	Coordinating Service Providers (CSP)	Revolving Loan Fund (RLF)	Intermediary Relending Program (IRP)		
<b>ASSETS</b>						
Cash and cash equivalents	\$ 578,940	\$ 71,545	\$ 81,123	\$ 448,639	\$ 39,296	\$ 1,219,543
Receivables:						
Accounts	294,187	97,157				391,344
Interest			720	1,250	17	1,987
Due from other funds	569					569
Due from other governments		242,138				242,138
Prepaid expenses	4,939					4,939
Investments	87,175					87,175
Loans receivables			384,268	562,880	13,925	961,073
<b>Total assets</b>	<b>\$ 965,810</b>	<b>\$ 410,840</b>	<b>\$ 466,111</b>	<b>\$ 1,012,769</b>	<b>\$ 53,238</b>	<b>\$ 2,908,768</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 22,665	\$ 336,663	\$ 4,671	\$ 7,805		\$ 371,804
Salaries and benefits payable	49,008					49,008
Accrued interest	961					961
Due to other funds					\$ 569	569
Advances from grantors	46,917	74,177				121,094
<b>Total liabilities</b>	<b>119,551</b>	<b>410,840</b>	<b>4,671</b>	<b>7,805</b>	<b>569</b>	<b>543,436</b>
<b>Fund balances:</b>						
Restricted for:						
RLF			461,440			461,440
IRP				654,964		654,964
Local match				350,000		350,000
HAWC					52,669	52,669
Unassigned	846,259					846,259
<b>Total fund balances</b>	<b>846,259</b>	<b>-</b>	<b>461,440</b>	<b>1,004,964</b>	<b>52,669</b>	<b>2,365,332</b>
<b>Total liabilities and fund balances</b>	<b>\$ 965,810</b>	<b>\$ 410,840</b>	<b>\$ 466,111</b>	<b>\$ 1,012,769</b>	<b>\$ 53,238</b>	<b>\$ 2,908,768</b>

See Notes to Financial Statements.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2017

Reconciliation of governmental fund balances to net position:		
Total governmental fund balances	\$	2,365,332
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 \$ 225,523		
		808,828
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	\$	246,329
Deferred inflows of resources		(58,180)
		188,149
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		(972,092)
Accrued interest		(1,354)
Compensated absences		(46,674)
Net pension liability		(793,830)
		(1,513,950)
Net position of governmental activities per Exhibit A	\$	1,548,359

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, 2017

	Special Revenue Funds					Total Governmental Funds
	General	Coordinating Service Providers (CSP)	Revolving Loan Fund (RLF)	Intermediary Relending Program (IRP)	Nonmajor Governmental Funds	
<b>REVENUES</b>						
Federal sources	\$ 232,050	\$ 2,056,256				\$ 2,288,306
Local sources:						
Interest	1,063		\$ 15,390	\$ 26,179	\$ 402	43,034
Rents	102,348					102,348
Other	1,503,269		1,627	2,426	167	1,507,489
<b>Total revenues</b>	<b>1,838,730</b>	<b>2,056,256</b>	<b>17,017</b>	<b>28,605</b>	<b>569</b>	<b>3,941,177</b>
<b>EXPENDITURES</b>						
Salaries	873,544		11,496	13,916		898,956
Employee benefits	324,506		3,081	4,607		332,194
Travel and per diem	22,244					22,244
Contracted services	36,781					36,781
Conferences and training	4,773					4,773
Equipment purchase/lease	430					430
Office/office supplies	15,753					15,753
Occupancy expense	102,199					102,199
Legal/professional fees	2,921					2,921
Allocated costs	209,114		2,464	2,951	569	215,098
Interest				5,454		5,454
Grants/programs	156,961	2,056,256				2,213,217
Long-term debt principal	24,502			53,970		78,472
<b>Total expenditures</b>	<b>1,773,728</b>	<b>2,056,256</b>	<b>17,041</b>	<b>80,898</b>	<b>569</b>	<b>3,928,492</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>65,002</b>	<b>-</b>	<b>(24)</b>	<b>(52,293)</b>	<b>-</b>	<b>12,685</b>
<b>FUND BALANCE, beginning of year</b>	<b>781,257</b>	<b>-</b>	<b>461,464</b>	<b>1,057,257</b>	<b>52,669</b>	<b>2,352,647</b>
<b>FUND BALANCE, end of year</b>	<b>\$ 846,259</b>	<b>\$ -</b>	<b>\$ 461,440</b>	<b>\$ 1,004,964</b>	<b>\$ 52,669</b>	<b>\$ 2,365,332</b>

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, 2017

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	\$	12,685
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 capital outlays exceed depreciation in the current year, as follows:		
Depreciation	\$ (32,973)	
Capital outlays	19,359	(13,614)
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.		78,471
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.		146
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.		76,120
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	(83,187)	
Compensated absences	12,849	(70,338)
Change in net position of governmental activities per Exhibit B	\$	<u>83,470</u>

See Notes to Financial Statements.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION

NOTES TO FINANCIAL STATEMENTS

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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.

*Joint Venture*

The Commission participates 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. As of June 30, 2017, the Commission is a member of Metronet.

*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) Fund accounts for the revenues and expenditures of the Revolving Loan Fund. The program makes low interest loans in the five county area.

The Intermediary Relending Program (IRP) Fund accounts for the receipts and disbursements of the Intermediary Relending Program. The program makes low interest loans to 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 period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within 60 days after year end.

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 recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Under 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.

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 Equity*

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 Equity (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) loan 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, 2017, 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 \$500 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 Equity (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, 2017 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, 2017. 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 Equity (Continued)*

*Fund Equity*

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. Those 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 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, 2017 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.

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

3. Capital Assets

Capital assets activity for the year ended June 30, 2017 is as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
<b>Governmental activities:</b>				
Land	\$ 170,392	\$ None	\$ None	\$ 170,392
Total capital assets not being depreciated	170,392	None	None	170,392
<b>Capital assets being depreciated:</b>				
Buildings and improvements	725,993	19,359	None	745,352
Furniture, equipment and vehicles	118,607	None	None	118,607
Total capital assets being depreciated	844,600	19,359	None	863,959
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	109,706	20,311	None	130,017
Furniture, equipment and vehicles	82,843	12,663	None	95,506
Total accumulated depreciation	192,549	32,974	None	225,523
Total capital assets being depreciated, net	652,051	(13,615)	None	638,436
<b>Governmental activities:</b>				
Capital assets	\$ 822,443	\$ (13,615)	\$ None	\$ 808,828

The Commission had no capitalized interest costs for the year ended June 30, 2017.

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, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stock	\$ 9,675	\$ 9,675	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.

The Commission has \$77,500 invested in Metronet. This is a communications services agreement to assist and provide a cost-efficient approach to common telecommunication needs.

5. **Long-term Debt Obligations**

Long-term liability activity for the year ended June 30, 2017 is as follows:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due Within One Year
<b>Notes payable:</b>					
Farmer & Merchants Savings Bank	\$ 505,004	\$ None	\$ 24,501	\$ 480,503	\$ 16,417
USDA (01)	281,359	None	31,497	249,862	14,469
USDA (04)	264,200	None	22,473	241,727	40,016
<b>Governmental activities:</b>					
Long-term liabilities	\$ 1,050,563	\$ None	\$ 78,471	\$ 972,092	\$ 70,902

**Notes Payable**

*Farmers & Merchants Savings Bank* is to be repaid in 119 monthly payments of \$3,142 that began on November 15, 2013 with a balloon payment 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 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 the 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 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 \$562,882 or \$33,773. The June 30, 2017 balance was \$33,773, which met the requirement.

A summary of principal and interest maturities is as follows:

Year Ending June 30,	Notes Payable						
	Farmers & Merchants		USDA (01)		USDA (04)		
	Savings Bank						
	Principal	Interest	Principal	Interest	Principal	Interest	
2018	\$ 16,417	\$ 21,287	\$ 40,016	\$ 2,429	\$ 14,469	\$ 2,511	
2019	17,171	20,533	40,418	2,027	14,614	2,366	
2020	17,960	19,744	40,820	1,625	14,755	2,225	
2021	18,785	18,918	41,235	1,211	14,909	2,071	
2022	19,648	18,056	41,649	796	15,059	1,921	
2023-2027	390,522	26,726	37,589	379	77,594	7,307	
2028-3032					81,572	3,328	
3033					16,890	169	
	\$ 480,503	\$ 125,264	\$ 241,727	\$ 8,467	\$ 249,862	\$ 21,898	

On July 28, 2014, the Commission signed a line of credit of \$100,000 with the Farmers & Merchants Savings Bank of Waukon, Iowa, which will mature on July 28, 2019. Interest is variable based on 1.25% above Wall Street Journal U.S. Prime Rate and the current rate is 4.75%. No advances have ever been made on the line of credit since the origination date. The Commission closed the line of credit on December 21, 2016.

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 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

**6. Pension Plan (Continued)***Plan Description (Continued)*

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 member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

*Disability and Death Benefits*

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

*Contributions*

Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. 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.

NOTES TO FINANCIAL STATEMENTS

6. **Pension Plan (Continued)**

*Contributions (Continued)*

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the Commission contributed 8.93% of covered payroll, for a total rate of 14.88%.

The Commission's contributions to IPERS for the year ended June 30, 2017 totaled \$76,120.

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

At June 30, 2017, the Commission reported a liability of \$793,830 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 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, 2016, the Commission's proportion was 0.012614%, which was an increase of 0.000220% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017 the Commission recognized pension expense of \$83,187. At June 30, 2017, 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	\$ 7,016	\$ 9,474
Changes of assumptions	12,111	
Net difference between projected and actual earnings on IPERS' investments	113,095	
Changes in proportion and differences between Commission contributions and the Commission's proportionate share of contributions	37,987	48,706
Commission contributions subsequent to the measurement date	76,120	
 Total	\$ 246,329	\$ 58,180

\$76,120 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2018	\$ 4,330
2019	4,330
2020	64,060
2021	38,771
2022	538
 Total	 \$ 112,029

There are no non-employer contributing entities to IPERS.

6. Pension Plan (Continued)

*Actuarial Assumptions*

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, as follows:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of 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
Core plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
<b>Total</b>	<b>100%</b>	

6. Pension Plan (Continued)

*Discount Rate*

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the 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 7.50%, 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 (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Commission’s proportionate share of the net pension liability	\$ 1,284,309	\$ 793,830	\$ 379,859

*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](http://www.ipers.org).

*Payables to IPERS*

At June 30, 2017, the Commission had no payables to report for the defined benefit pension plan for legally required Commission contributions and legally required employee contributions, which had been withheld from employee wages but not yet 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 16 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 \$3,000 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 to apply their amounts 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.

7. Medical Insurance/Health Alternative (Continued)

*Plan Description (Continued)*

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. Regular part-time employees (working a minimum of 1,040 hours per year) will be provided a health alternative 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 \$575.80 medical, \$38.43 dental, and \$8 for vision. Family coverage is available and the monthly cost to the employee is \$1,167 for medical, \$90 for dental, and \$21 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, 2017, the Commission contributed \$94,464 to the plan.

8. Risk Management

Upper Explorerland Regional Planning Commission is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Commission assumes liability for any deductibles and claims in excess of coverage limitations. 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.

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, 2017, totaled \$215,098.

WIOA Division charges all payroll directly to grants based on actual expenditures in accordance with the Office of Management and Budget Circular A-87 and 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 Office of Management and Budget Circular A-87 and the Uniform Guidance.

NOTES TO FINANCIAL STATEMENTS

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10. Indirect Costs (Continued)

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 Fund Balance

As of June 30, 2017, the Commission's restricted fund balance consists of the following:

Fund balance:		
HAWC	\$	52,669
RLF		461,440
Fund Balance:		
IRP:		
Local match	\$	350,000
Loan pool		128,248
Reserve for bad debt		33,773
		512,021
Total restricted fund balance	\$	1,026,130

12. Operating Leases

The Commission has a two-year lease for office space in Waukon, Iowa and expires June 30, 2018. 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 ended June 30, 2018.

For the year ending 2018, future minimum lease payments are \$900 for the Waukon office.

13. Joint Venture

The Commission participates in Metronet, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The Commission appoints a member to the Metronet Board and has access to the broadband service provided by Metronet. Metronet's audited financial statements are included in the City of Decorah's financial statements and are available from the City of Decorah at City Hall, Decorah, IA 52101.

14. Fiscal Agent

The Commission acts as a fiscal agent for various programs. Monies are passed through to other parties as needed. There was a receivable of \$8,105 from Fayette County Local Housing Trust Fund. Pass through dollars held by the Commission at June 30, 2017 are as follows:

Fayette County Local Housing Trust Fund	\$	(8,105)
HAWC Revolving Loan Fund		52,669
Northeast Iowa Business Network (NIBN)		26,146
		70,710
Total	\$	70,710

NOTES TO FINANCIAL STATEMENTS

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15. Functional Allocation of Expenses

The costs of providing various programs and other activities have been allocated on a functional basis and are as follows:

Salaries	\$	961,045
Employee benefits		286,903
Travel and per diem		22,246
Contracted service		37,349
Conferences and training		4,773
Client training		35,679
Other support		92,858
Equipment purchase/lease		728
Office/office supplies		17,910
Occupancy expense		59,367
Legal/professional fees		2,921
Allocated costs		175,168
Interest		5,308
Grants/programs		2,122,476
Depreciation		<u>32,975</u>
Total	\$	<u>3,857,706</u>

16. 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, 2017, this amounted to \$194,838. The Housing Authority is audited separately and a report issued.

The Commission contracts with UERPC Housing 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 \$71,002. The UERPC Housing is audited separately and a report issued.

17. Contingencies

a. 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, 2017, 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. Contingencies (Continued)

b. Sick Leave

Commission employees accumulate sick leave hours for subsequent use. These accumulations are not recognized as expenditures by the Commission until used. Sick leave is only payable when used and is not available to employees upon termination, retirement or death. After the maximum allowable sick leave of 720 hours (90 days) is accumulated, additional sick leave earned is then converted to annual leave at a 3 to 1 ratio. Three hours of sick leave earned is then equal to one hour of annual leave.

18. New Governmental Accounting Standards Board (GASB) Standards

The Governmental Accounting Standards Board (GASB) has issued two statements not yet implemented by the Commission. These statements which might impact the Commission are as follows:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued June 2015, will be effective for the fiscal year ended June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information. In addition, the statement of net position is expected to include a significant liability for the government's other postemployment benefits.

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the fiscal year ended June 30, 2020. 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 these statements will have on the Commission's financial statements.

19. Subsequent Event

Management has evaluated subsequent events through January 15, 2018, the date on which the financial statements were available to be issued.

As of September 18, 2017, the Commission has withdrawn as an anchor member of the Decorah Metronet. They have agreed to pay the balance owed of \$25,787 to the Metronet, starting with annual payments of \$2,500.

**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 Three Years\*  
 (In Thousands)

	2017	2016	2015
Commission's proportion of the net pension liability	0.012614%	0.012394%	0.011920%
Commission's proportionate share of the net pension liability	\$ 794	\$ 612	\$ 473
Commission's covered-employee payroll	\$ 907	\$ 840	\$ 784
Commission's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.54%	72.86%	60.33%
IPERS' net position as a percentage of the total pension liability	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.

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

	2017	2016	2015	2014
Statutorily required contribution	\$ 76	\$ 81	\$ 75	\$ 70
Contributions in relation to the statutorily required contribution	(76)	(81)	(75)	(70)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Commission's covered-employee payroll	\$ 852	\$ 907	\$ 840	\$ 784
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.93%

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

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2013	2012	2011	2010	2009	2008
\$ 71	\$ 90	\$ 100	\$ 53	\$ 45	\$ 42
(71)	(90)	(100)	(53)	(45)	(42)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 819	\$ 1,115	\$ 1,439	\$ 797	\$ 709	\$ 694
8.67%	8.07%	6.95%	6.65%	6.35%	6.05%

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

Year Ended June 30, 2017

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Changes of Benefit Terms

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

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

Changes of Assumptions

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- 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.

**Other Supplementary Information**

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2017

SCHEDULE 1

	Special Revenue Fund HAWC	Total Nonmajor Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 39,296	\$ 39,296
Receivables:		
Interest	17	17
Loans receivables	13,925	13,925
Total assets	\$ 53,238	\$ 53,238
<b>LIABILITIES</b>		
Due to other funds	\$ 569	\$ 569
<b>FUND BALANCES</b>		
Fund balances:		
Restricted for:		
HAWC	52,669	52,669
Total liabilities and fund balances	\$ 53,238	\$ 53,238

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, 2017

	Special Revenue Fund HAWC	Total Nonmajor Funds
REVENUES		
Local sources:		
Interest	\$ 402	\$ 402
Other	167	167
Total revenues	<u>569</u>	<u>569</u>
EXPENDITURES		
Allocated costs	<u>569</u>	<u>569</u>
Total expenditures	<u>569</u>	<u>569</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-
FUND BALANCE, beginning of year	<u>52,669</u>	<u>52,669</u>
FUND BALANCE, end of year	<u>\$ 52,669</u>	<u>\$ 52,669</u>

See Independent Auditor's Report.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2017

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

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were 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) Significant deficiencies in internal control over the major programs were disclosed by the audit of the financial statements. No material weaknesses noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.515.
- (g) Major programs were as follows:
  - Clustered programs:
    - WIOA Cluster:
      - CFDA Number 17.258 – WIOA Adult Program
      - CFDA Number 17.259 – WIOA Youth Activities
      - CFDA Number 17.278 – WIOA Dislocated Worker
    - CFDA Number 10.415 – Housing Loans
- (h) The dollar 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, 2017

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Part II: Findings Related to the Financial Statements:

Instances of noncompliance: no matters were noted.

Internal control deficiencies:

Finding 2017-001      Preparation of Financial Statements

**Condition:** As is common in small entities, management has the ability to review the financial statements and footnote disclosures for errors, but they presently lack the training to prepare the year-end financial statements and footnote disclosures on their own. As such, management requested the auditors to prepare the financial statements and related disclosures.

**Criteria:** Reporting financial data reliably in accordance with U.S. generally accepted accounting principles (GAAP) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures.

**Cause:** The Commission has limited staff and resources to hire someone to review the financial statements. The cost would outweigh the benefits.

**Effect:** Some disclosures could be missed in preparing the financial statements with footnotes.

**Recommendation:** We realize that obtaining the expertise necessary to prepare the financial statements, including necessary disclosures, in accordance with U.S. generally accepted accounting principles can be considered costly and ineffective. However, obtaining additional GAAP knowledge through reading relevant accounting literature and attending continuing education courses should help management improve in their ability to prepare/review internally and take responsibility for reliable GAAP financial statements.

**Views of Responsible  
Officials and Planned**

**Correction Actions:** The Commission feels that obtaining the expertise necessary to prepare the financial statements, including necessary disclosures, in accordance with U.S. generally accepted accounting principles can be considered costly and ineffective. However, it is the responsibility of the Commission's management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2017

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Part II: Findings Related to the Financial Statements (Continued):

Internal control deficiencies (continued):

Finding 2017-002      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

**Correction 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, 2017

**Part III: Findings and Questioned Costs for Federal Awards:**

Instances of noncompliance: no matters were noted.

**Internal control deficiencies:**

**Clustered programs:**

**WIOA Cluster:**

CFDA Number 17.258 – WIOA Adult Program

CFDA Number 17.259 – WIOA Youth Activities

CFDA Number 17.278 – WIOA Dislocated Worker

CFDA Number 10.415 – Housing Loans

Federal Award Year: 2017

See 2017-001 and 2017-002 above.

**Part IV: Other Findings Related to Required Statutory Reporting:**

See management letter dated January 15, 2018

**Part V: Summary of Prior Federal Audit Findings and Questioned Costs:**

<b>Comment Reference</b>	<b>Comment Title</b>	<b>Status</b>	<b>Explanation</b>
2016-001	Preparation of Financial Statements	Not corrected	Management does not have the necessary training to prepare year-end financial statements.
2016-002	Overlapping Duties	Not corrected	The Commission has limited staff and segregates duties to the best of their abilities.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended June 30, 2017

Grantor/Program	CFDA Number	Grant Number	Period of Grant	Passed Through to Subrecipients	Program Expenditures
<b>Direct:</b>					
<b>U.S. Department of Commerce:</b>					
<b>Economic Development:</b>					
Support for Planning Organizations	11.302	EDA-DEN-PL-DRO-2016-20047	7/1/15-6/30/19	\$	66,000
<b>U.S. Department of Labor:</b>					
Youth Career Connect	17.274	YC-25422-14-60-A-19	4/1/14-5/13/16	\$ 753,469	860,337
Youth Career Connect-Administration			4/1/14-5/13/16	105,741	120,739
				<u>859,210</u>	<u>981,076</u>
<b>Indirect pass through:</b>					
<b>Iowa Workforce Development:</b>					
Title I - Administration	17.258/17.259/17.278	17-W-01-WI-OA	7/1/15-6/30/20	32,320	68,280
		17-W-01-WI-OA	7/1/15-6/30/20		2,491
				<u>32,320</u>	<u>70,771</u>
Title I - Adult	17.258	17-W-01-WI-OA	7/1/15-6/30/20	136,759	256,277
WIOA Youth in School	17.259	17-W-01-WI-OA	7/1/15-6/30/20	138,244	138,244
WIOA Youth out of School		17-W-01-WI-OA	7/1/15-6/30/20		173,167
				<u>138,244</u>	<u>311,411</u>
WIOA Dislocated Worker	17.278	17-W-01-WI-OA	7/1/15-6/30/20	33,639	123,447
SP NEG		16-W-PF-ID-0-01	7/1/16-6/30/17	13,252	66,953
SP NEG		16-W-PF-ID-0-01	7/1/16-6/30/17		3,174
WIOA Job Driven NEG		15-W-FR-JD-0-01	6/12/15-6/30/17		40,760
WIOA Job Driven NEG		15-W-FR-JD-0-01	6/12/15-6/30/17		3,610
RR DLW		17-W-01-WI-OA	7/1/15-6/30/20	25,049	44,335
Blumenthal Early Intervention		16-W-PF-ID-0-03	6/1/16-9/29/16		2,102
CVG Early Intervention		17-W-PF-ID-1-02	10/24/16-6/30/17		12,036
				<u>71,940</u>	<u>296,417</u>
Subtotal WIOA Cluster				<u>379,263</u>	<u>934,876</u>
Subtotal U.S. Department of Labor				<u>1,238,473</u>	<u>1,915,952</u>
<b>U.S. Department of Transportation:</b>					
Safe Routes to School	20.205	FHWA STP STBG	6/22/16-6/30/17		15,533
		FHWA STP C/O	6/22/16-6/30/17		27,674
		FHWA SPR	6/22/16-6/30/17		14,903
		TAP-R-PA01(004)-8T-00	4/16/15-12/31/16		6,555
		TAP-R-000S(741)-8T-00	6/22/16-6/30/17		37,700
					<u>102,365</u>
Pass through Iowa Department of Transportation:					
Formula Grants for Rural Areas	20.509	FTA 5311	7/1/16-6/30/17		7,752
Subtotal U.S. Department of Transportation					<u>110,117</u>
<b>U.S. Department of Agriculture:</b>					
LFPP (ISU Local Food Promotion)	10.172	14-LFPPX-IA-0054	9/30/14-9/30/16		5,000
			12/1/13-11/30/15		7,527
					<u>12,527</u>

See Independent Auditor's Report.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2017

Grantor/Program	CFDA Number	Grant Number	Period of Grant	Passed Through to Subrecipients	Program Expenditures
<b>Direct (Continued):</b>					
U.S. Department of Housing and Urban Development:					
Pass through Iowa Finance Authority:					
Home Investment Partnerships Program (HOME):					
Decorah	14.239	14-HM-163	5/8/14-5/8/16	\$	11,626
Marquette/Elkader		14-HM-165	5/8/14-5/8/16		19,150
					<u>30,776</u>
Postville	14.228	16-HSG-014	7/1/16-7/1/19		589
Lansing		14-HSG-017	6/18/14-6/30/17		9,906
Marquette		15-HSG-018	7/17/15-7/31/18		16,526
Calmar		15-HSG-017	7/17/15-7/31/18		27,109
Monona		16-HSG-023	7/21/16-7/31/19		13,626
Strawberry Point		16-HSG-024	7/21/16-7/31/19		12,088
McGregor		16-HSG-003	7/1/16-4/1/19		21,149
McGregor		08-DRMI-008	2/4/13-3/22/17		3,329
Lansing		15-WS-027	7/17/15-7/7/18		17,413
Ridgeway		17-WS-010	3/22/17-3/31/20		1,879
Postville		15-WS-028	7/17/15-7/31/18		1,769
Strawberry Point		16-WS-027	7/1/16-7/1/19		4,022
Arlington		14-WS-041	6/18/14-6/30/17		3,559
					<u>132,964</u>
Subtotal U.S. Department of Housing and Urban Development					<u>163,740</u>
Federal Emergency Management Agency:					
Pass through ECIA:					
Clayton County HMGP '16	97.039	DR-4016-01	7/1/15-6/30/16		12,866
Pass through City of McGregor:					
McGregor Hazard Mitigation		HMGP-DR-1763-0156-01	12/22/10-3/22/17		179
					<u>13,045</u>
Pass through City of McGregor:					
Allamakee Hazard Mitigation	97.042	PDMC-PL-07-IA2015-005-01	7/1/16-10/30/18		6,925
Subtotal Federal Emergency Management Agency					<u>19,970</u>
Loan Balance:					
U.S. Department of Agriculture:					
Housing Loans	10.415	01			281,359
Housing Loans	10.415	04			264,200
					<u>545,559</u>
U.S. Department of Commerce:					
Economic Development:					
Title IX Economic Adjustment Program					
Revolving Loan Fund	11.307	05-39-02360	Perpetual		325,883
Total Federal Financial Assistance					<u>\$ 1,238,473</u> <u>\$ 3,159,748</u>

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, 2017

**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, 2017. 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, as applicable, either the cost principles of OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
  
- 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, 2017.

<u>Loan Balance:</u>	<u>Federal CFDA Number</u>	<u>Pass-through Identifying Number</u>	<u>Expenditures</u>
Housing Loans	10.415	01	\$ 249,862
Housing Loans	10.415	04	241,727
			<hr style="width: 100%; border: 0.5px solid black;"/> 491,589
 Revolving Loan	 11.307	 05-39-02360	 <hr style="width: 100%; border: 0.5px solid black;"/> 384,267
			 <hr style="width: 100%; border: 0.5px solid black;"/> \$ 875,856

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, 2017, 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 15, 2018.

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 certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002 that we consider to be significant deficiencies.

### 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 Responses to Findings

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

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 15, 2018

**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, 2017. 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; 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, 2017.

## 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 identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002 that we consider to be significant deficiencies.

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

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 15, 2018

## 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, 2017, 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 15, 2018, contains our report on the Commission's internal control over financial reporting. This letter does not affect our report dated January 15, 2018, on the basic financial statements of Upper Explorerland Regional Planning Commission. Comments 1 and 2 are unresolved comments from the prior year. All other 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. Maintain Current and Complete Personnel Files

During the audit, we observed that personnel files are not being kept current and in some instances were incomplete. Personnel information was being kept in both the Executive Director's files as well as the accounting office.

Recommendation

The Commission should have a complete payroll file for all employees in one payroll file. There should be a checklist of all required forms as well as any pay increases, including any merit awards, be documented and kept in the payroll file.

Response

The Commission agrees with the Auditor's recommendation on personnel files and understands the confidentiality and importance of personnel files being current. The Commission is currently working with PJ Greufe & Associates to review all personnel files while updating the Commission's personnel policy. This was also a recommendation from Mr. Greufe as well. The Commission will complete payroll files for all employees and keep in a locked file cabinet in the accounting office. The Commission will develop a checklist of all required forms as well as any pay increases, including any merit awards be documented and kept in the payroll file.

Conclusion

Response accepted.

2. Credit Card Policy and Use

During our audit, we noted that the Commission does not have a written credit card policy in place.

Recommendation

We recommend the Commission approve a written credit card policy, which includes a requirement that all receipts be submitted before payment is made.

Response

The Commission agrees and did adopt a credit card policy on October 19, 2017.

Conclusion

Response accepted.

3. Disbursements Documentation

During our audit, we noted that an employee was reimbursed for a meal that did not have an itemized receipt and that petty cash reimbursements did not always have receipts attached.

Recommendation

We recommend that all disbursements are supported by the appropriate documentation.

Response

The Commission agrees and will request that all employees give an itemized receipt.

Conclusion

Response accepted.

This report 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. Should you have any questions concerning these or other matters, we shall be pleased to discuss them with you at your convenience.

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
January 15, 2018