

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

FINANCIAL REPORT

JUNE 30, 2018

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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, 2018, 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, 2018, 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, 2018 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), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information shown on Schedules 1 through 4, including the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information shown on Schedules 1 through 4, including the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the year ended June 30, 2018 basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 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
December 21, 2018

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION
DECORAH, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018

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, 2018. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

2018 FINANCIAL HIGHLIGHTS

- Revenues of the Commission's governmental activities decreased 8.83% or approximately \$348,000 from fiscal year 2017 to fiscal year 2018.
- Program expenses were 5.81% or approximately \$224,000 less in fiscal year 2018 than in fiscal year 2017. Grants/programs expenses decreased approximately \$255,000.
- The Commission's net position decreased 2.65% or approximately \$41,000 from June 30, 2017 to June 30, 2018.

USING THIS ANNUAL REPORT

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

Management's discussion and analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.

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

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

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

Required supplementary information further explains and supports the financial statements with a comparison of the Commission's proportionate share of the net pension liability and related contributions.

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

REPORTING THE COMMISSION'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the Commission's finances is, "Is the Commission as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Condensed Statement of Net Position				
(Expressed in Thousands)				
Governmental Activities				
	2018		2017	Percent Change
Current and other assets	\$ 2,871	\$	2,909	-1.31%
Capital assets	779		809	-3.71%
Total assets	<u>3,650</u>		<u>3,718</u>	<u>-1.83%</u>
Deferred outflows of resources	<u>245</u>		<u>246</u>	<u>-0.41%</u>
Current liabilities	694		545	27.34%
Noncurrent liabilities	<u>1,601</u>		<u>1,813</u>	<u>-11.69%</u>
Total liabilities	<u>2,295</u>		<u>2,358</u>	<u>-2.67%</u>
Deferred inflows of resources	<u>93</u>		<u>58</u>	<u>60.34%</u>
Net position:				
Net investment in capital assets	324		328	-1.22%
Restricted	1,033		1,026	0.68%
Unrestricted	<u>150</u>		<u>194</u>	<u>-22.68%</u>
Total net position	<u>\$ 1,507</u>	\$	<u>1,548</u>	<u>-2.65%</u>

Upper Explorerland Regional Planning Commission's net position decreased approximately \$41,000 or 2.65% from fiscal year 2017 to fiscal year 2018. 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 \$7,000 or 0.68% 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 decreased for the governmental activities approximately \$44,000 or 22.68%.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following analysis shows the changes in net position for the governmental activities for the years ending June 30, 2018 and 2017:

	Changes in Net Position		
	(Expressed in Thousands)		
	Governmental Activities		
	2018	2017	Percent Change
Revenues:			
Program revenue:			
Charges for service	\$ 537	\$ 692	-22.40%
Operating grants	2,950	3,142	-6.11%
General revenue:			
Rents	102	102	0.00%
Unrestricted investment earnings	1	1	0.00%
Other	3	4	-25.00%
Total revenues	3,593	3,941	-8.83%
Program expenses:			
Salaries	1,005	961	4.58%
Employee benefits	312	287	8.71%
Travel and per diem	18	22	-18.18%
Contracted services	9	37	-75.68%
Conferences and training	8	5	60.00%
Client training		36	-100.00%
Other support	33	93	-64.52%
Equipment purchase/lease	107	1	10600.00%
Office/office supplies	6	18	-66.67%
Occupancy expense	76	59	28.81%
Legal/professional fees	5	3	66.67%
In-kind match	9		100.00%
Allocated costs	145	175	-17.14%
Interest	5	5	0.00%
Grants/programs	1,868	2,123	-12.01%
Depreciation	28	33	-15.15%
Total expenses	3,634	3,858	-5.81%
(Decrease) increase in net position	(41)	83	-149.40%
Net position, beginning of year	1,548	1,465	5.67%
Net position, end of year	\$ 1,507	\$ 1,548	-2.65%

INDIVIDUAL MAJOR FUND ANALYSIS

As the Commission completed the year, its governmental funds reported a combined fund balance of \$2,328,529, approximately \$37,000 decrease of the 2017 fiscal year end balance of \$2,365,332.

- The ending general fund balance showed an increase of 1.28% from the prior year of \$846,259 to \$857,114. General fund revenues increased by approximately \$44,000 or 2.42%. Expenditures increased by approximately \$99,000 or 5.56%. The general fund can vary from year to year depending on various grants.
- Coordinating Service Providers (CSP) revenues decreased by approximately \$389,000 or 18.9% due to a decrease in YCC grant revenue.

INDIVIDUAL MAJOR FUND ANALYSIS (Continued)

- Revolving Loan Fund (RLF) expenditures decreased approximately \$2,000 over the prior year. The revolving loan funds balance at year end stayed approximately the same at \$463,000. There was one new loan during fiscal year 2018 and one loan that was paid off.
- The Intermediary Relending Program (IRP) revenues decreased approximately \$1,000 over the prior year. Expenditures decreased approximately \$3,000. The revolving loan funds balance at year end decreased by approximately \$50,000 or 5.02%. There were two new loans during fiscal year 2018 and one loan that was paid off.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2018, the Commission had \$1,017,740 invested in a broad range of capital assets, including buildings, vehicles and equipment.

The Commission had depreciation expense of \$28,240 for fiscal year 2018 and total accumulated depreciation of \$238,813 as of June 30, 2018 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 \$915,274 in loans compared to \$972,092 in fiscal year 2017 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

At the time these financial statements were prepared and audited, the Commission was aware of several key factors that may have an impact upon the COG's (Council of Governments) future funding levels.

- Local, state and federal economic conditions are key indicators for resource availability and monitoring these conditions will be prudent for Upper Explorerland Regional Planning Commission and its future success in regional service delivery.
- UERPC completed a pay plan for the Commission and a new performance review process as well. In times of low unemployment key employee retention is critical.
- The State of Iowa is looking at realigning workforce regions and reducing the number of certified Workforce One-Stops. Under this realignment effort, it has been stated that no offices will close.
- Diversifying of services as a result of decreased funding at the local and state level may provide opportunities for the COG to provide innovative services in areas not currently provided while increasing revenues for the COG.
- UERPC owns two facilities on which it holds substantial debt. Currently, UERPC has partners that assist with the debt payment, there is some concern on losing those partners if state funding is reduced.
- Within the region, skilled workforce and housing are major concerns, UERPC continues to work on planning efforts and projects associated with those concerns.

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, 2018

EXHIBIT A

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,047,832
Receivables:	
Accounts	453,252
Interest	2,263
Due from other governments	237,524
Prepaid expenses	8,825
Investments	7,995
Loan receivables	1,113,796
Capital assets, non-depreciable	170,392
Capital assets, net of accumulated depreciation	608,535
	3,650,414
Total assets	
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows of resources	245,245
	3,895,659
Total assets and deferred outflows of resources	
LIABILITIES	
Accounts payable	\$ 157,990
Due to other governments	190,271
Salaries and benefits payable	42,512
Accrued interest payable	2,119
Advances from grantors	151,271
Long-term liabilities:	
Portion due within one year:	
Notes payable	75,147
Compensated absences	74,742
Portion due after one year:	
Notes payable	840,127
Net pension liability	760,682
	2,294,861
Total liabilities	
DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows	93,395
NET POSITION	
Net investment in capital assets	324,018
Restricted for:	
HAWC	52,933
RLF	463,961
IRP	516,238
Unrestricted	150,253
	1,507,403
Total net position	
Total liabilities, deferred inflows of resources and net position	\$ 3,895,659

See Notes to Financial Statements.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

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	
Governmental activities:				
Community and economic development	\$ 3,634,980	\$ 536,696	\$ 2,950,180	\$ (148,104)
Total governmental activities	<u>\$ 3,634,980</u>	<u>\$ 536,696</u>	<u>\$ 2,950,180</u>	<u>(148,104)</u>
General revenues:				
Unrestricted investment earnings				1,889
Rents				101,958
Other				3,301
Total general revenues				<u>107,148</u>
Change in net position				(40,956)
Net position, beginning of year				<u>1,548,359</u>
Net position, end of year				<u>\$ 1,507,403</u>

See Notes to Financial Statements.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General	Special Revenue Funds			Nonmajor Governmental Funds	Total Governmental Funds
		Coordinating Service Providers (CSP)	Revolving Loan Fund (RLF)	Intermediary Relending Program (IRP)		
ASSETS						
Cash and cash equivalents	\$ 611,584	\$ 74,177	\$ 73,781	\$ 237,950	\$ 50,340	\$ 1,047,832
Receivables:						
Accounts	288,993	88,858				377,851
Interest			647	1,613	3	2,263
Due from other funds	75,401					75,401
Due from other governments		237,524				237,524
Prepaid expenses	8,825					8,825
Investments	7,995					7,995
Loans receivables			391,270	719,367	3,159	1,113,796
Total assets	\$ 992,798	\$ 400,559	\$ 465,698	\$ 958,930	\$ 53,502	\$ 2,871,487
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 2,984	\$ 79,605				\$ 82,589
Salaries and benefits payable	42,512					42,512
Accrued interest	914					914
Due to other funds		68,686	\$ 1,737	\$ 4,409	\$ 569	75,401
Due to other governments	2,385	187,886				190,271
Advances from grantors	86,889	64,382				151,271
Total liabilities	135,684	400,559	1,737	4,409	569	542,958
Fund balances:						
Restricted for:						
RLF			463,961			463,961
IRP				604,521		604,521
Local match				350,000		350,000
HAWC					52,933	52,933
Unassigned	857,114					857,114
Total fund balances	857,114	-	463,961	954,521	52,933	2,328,529
Total liabilities and fund balances	\$ 992,798	\$ 400,559	\$ 465,698	\$ 958,930	\$ 53,502	\$ 2,871,487

See Notes to Financial Statements.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

Reconciliation of governmental fund balances to net position:		
Total governmental fund balances	\$	2,328,529
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		
		778,927
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	\$	245,245
Deferred inflows of resources		(93,395)
		151,850
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		(915,274)
Accrued interest		(1,205)
Compensated absences		(74,742)
Net pension liability		(760,682)
		(1,551,903)
Net position of governmental activities per Exhibit A	\$	1,507,403

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, 2018

	Special Revenue Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General	Coordinating Service Providers (CSP)	Revolving Loan Fund (RLF)	Intermediary Relending Program (IRP)		
REVENUES						
Federal sources	\$ 425,573	\$ 1,667,679				\$ 2,093,252
Local sources:						
Interest	1,889		\$ 16,477	\$ 25,002	\$ 305	43,673
Rents	101,958					101,958
Other	1,353,828		724	2,249		1,356,801
Total revenues	<u>1,883,248</u>	<u>1,667,679</u>	<u>17,201</u>	<u>27,251</u>	<u>305</u>	<u>3,595,684</u>
EXPENDITURES						
Salaries	950,854		9,875	11,895		972,624
Employee benefits	303,065		2,911	3,516		309,492
Travel and per diem	18,646					18,646
Contracted services	8,627					8,627
Conferences and training	7,680					7,680
Other support	33,284					33,284
Equipment purchase/lease	3,577					3,577
MetroNet expense	77,500					77,500
Office/office supplies	6,034					6,034
Occupancy expense	55,607					55,607
Legal/professional fees	5,038					5,038
In-kind match	9,057					9,057
Allocated costs	165,027		1,895	2,857	40	169,819
Interest				4,916		4,916
Grants/programs	200,303	1,667,679				1,867,982
Long-term debt principal	28,094			54,510		82,604
Total expenditures	<u>1,872,393</u>	<u>1,667,679</u>	<u>14,681</u>	<u>77,694</u>	<u>40</u>	<u>3,632,487</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	10,855	-	2,520	(50,443)	265	(36,803)
FUND BALANCE, beginning of year	<u>846,259</u>	<u>-</u>	<u>461,441</u>	<u>1,004,964</u>	<u>52,668</u>	<u>2,365,332</u>
FUND BALANCE, end of year	<u>\$ 857,114</u>	<u>\$ -</u>	<u>\$ 463,961</u>	<u>\$ 954,521</u>	<u>\$ 52,933</u>	<u>\$ 2,328,529</u>

See Notes to Financial Statements.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

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	\$	(36,803)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the current year, as follows:		
Depreciation	\$	(28,239)
Capital outlays		-
		<u>(28,239)</u>
The net effect of disposal of capital assets		(1,661)
Proceeds from issuing long-term liabilities for MetroNet		(25,787)
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.		82,604
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.		149
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.		78,498
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	(81,649)	
Compensated absences	(28,068)	(109,717)
		<u>(109,717)</u>
Change in net position of governmental activities per Exhibit B	\$	<u>(40,956)</u>

See Notes to Financial Statements.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

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

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

b. Significant Accounting Policies

Scope of Reporting Entity

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

Joint Venture

The Commission participated 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 September 18, 2017, the Commission has withdrawn as an anchor member of the Decorah MetroNet (MetroNet). The Commission has agreed to pay the balance owed of \$25,787 to MetroNet. See Note 5 for more details.

Government-wide Financial Statements

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

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

b. Significant Accounting Policies (Continued)

Government-wide Financial Statements (Continued)

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

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

Fund Financial Statements

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

The Commission reports the following major governmental funds:

General Fund

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

Special Revenue Funds

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

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

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

Measurement Focus and Basis of Accounting

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

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

b. Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current 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 recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

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

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

Cash Management and Cash Equivalents

The cash balances of most Commission funds are invested. All short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

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

b. Significant Accounting Policies (Continued)

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

Accounts Receivables

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

Loan Receivables

The Commission (through the IRP, RLF and HAWC Funds) 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, 2018, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Most of the interfund transactions have been eliminated on the government-wide statements.

Due from Other Governments

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

Capital Assets

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

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

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

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

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

b. Significant Accounting Policies (Continued)

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

Deferred Outflows of Resources

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

Advances from Grantors

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

Salaries and Benefits Payable

Payroll and related expenditures for employees earned in June and paid in July have been accrued as liabilities. The rate in effect at June 30, 2018 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, 2018. The compensated absences liability attributable to the governmental activities will be paid primarily by the general fund.

Pensions

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

Deferred Inflows of Resources

Deferred inflows of resources in the statement of net position consist of the unamortized portion of the net difference between projected and actual earnings on IPERS' investments.

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

b. Significant Accounting Policies (Continued)

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

Fund Balance

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

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

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

Unassigned - all amounts not included in the preceding classifications.

Net Position

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

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

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

Budgets and Budgetary Accounting

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

Management Estimates

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

NOTES TO FINANCIAL STATEMENTS

2. Cash Management and Cash Equivalents

The Commission's deposits in banks at June 30, 2018 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

3. Capital Assets

Capital assets activity for the year ended June 30, 2018 is as follows:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Governmental activities:				
Land	\$ 170,392	\$ None	\$ None	\$ 170,392
Total capital assets not being depreciated	170,392	None	None	170,392
Capital assets being depreciated:				
Buildings and improvements	745,352	None	None	745,352
Furniture, equipment and vehicles	118,607	None	(16,611)	101,996
Total capital assets being depreciated	863,959	None	(16,611)	847,348
Less accumulated depreciation for:				
Buildings and improvements	130,017	20,030	None	150,047
Furniture, equipment and vehicles	95,506	8,210	(14,950)	88,766
Total accumulated depreciation	225,523	28,240	(14,950)	238,813
Total capital assets being depreciated, net	638,436	(28,240)	(1,661)	608,535
Governmental activities:				
Capital assets	\$ 808,828	\$ (28,240)	\$ (1,661)	\$ 778,927

The Commission had no capitalized interest costs for the year ended June 30, 2018.

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, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stock	\$ 7,995	\$ 7,995	None	None

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

5. Long-term Debt Obligations

Long-term liability activity for the year ended June 30, 2018 is as follows:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
Notes payable:					
Farmer & Merchants Savings Bank	\$ 480,503	\$ None	\$ 25,594	\$ 454,909	\$ 17,593
USDA (01)	241,727	None	40,029	201,698	40,428
USDA (04)	249,862	None	14,482	235,380	14,626
Decorah MetroNet	None	25,787	2,500	23,287	2,500
Governmental activities:					
Long-term liabilities	\$ 972,092	\$ 25,787	\$ 82,605	\$ 915,274	\$ 75,147

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 due on October 15, 2023. The interest rate is 4.5%. The note is collateralized by real estate. The Commission has been making additional principal payments of \$750 a month.

USDA (01)

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

NOTES TO FINANCIAL STATEMENTS

5. Long-term Debt Obligations (Continued)

Notes Payable (Continued)

USDA (04)

Is a loan agreement with 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 due on March 20, 2033. The interest rate is 1%.

On March 20, 2003, the Commission and Rural Development, United States Department of Agriculture agreed to combine the original \$1,000,000 IRP Revolving Loan Fund with the subsequent \$400,000 IRP Loan Fund. Under the new "Amended IRP Revolving Fund Agreement," the loans will both be managed under the terms of the 4274-D regulations. The new agreement requires the Commission to create a "Reserve for Bad Debt." The Reserve for Bad Debt should equal 6% of the outstanding principal balance of the ultimate recipient loans. The Reserve for Bad Debt should be approximately 6% of \$719,367 or \$43,162. The June 30, 2018 balance was \$43,162, which met the requirement.

Decorah MetroNet

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

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

A summary of principal and interest maturities is as follows:

Year Ending June 30,	Notes Payable						
	Farmers & Merchants Savings Bank		USDA (01)		USDA (04)		MetroNet
	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2019	\$ 17,593	\$ 20,111	\$ 40,428	\$ 2,017	\$ 14,626	\$ 2,353	\$ 2,500
2020	18,401	19,303	40,832	1,613	14,772	2,208	2,500
2021	19,246	18,457	41,241	1,204	14,920	2,060	2,500
2022	20,130	17,573	41,654	792	15,069	1,911	2,500
2023	21,055	16,649	37,543	375	15,220	1,760	2,500
2024-2028	358,484	9,268	None	None	78,413	6,487	10,787
2029-3033	None	None	None	None	82,360	2,485	None
	<u>\$ 454,909</u>	<u>\$ 101,361</u>	<u>\$ 201,698</u>	<u>\$ 6,001</u>	<u>\$ 235,380</u>	<u>\$ 19,264</u>	<u>\$ 23,287</u>

6. Pension Plan*Plan Description*

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

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

Pension Benefits

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

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

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

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

Disability and Death Benefits

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

6. Pension Plan (Continued)

Contributions

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

In fiscal year 2018, 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, 2018 totaled \$82,728.

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

At June 30, 2018, the Commission reported a liability of \$760,682 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 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, 2017, the Commission's proportion was 0.011420%, which was a decrease of 0.001194% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Commission recognized pension expense of \$81,649. At June 30, 2018, 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	\$ 6,984	\$ 6,591
Changes of assumptions	132,171	
Net difference between projected and actual earnings on IPERS' investments		7,945
Changes in proportion and differences between Commission contributions and the Commission's proportionate share of contributions	27,592	78,859
Commission contributions subsequent to the measurement date	78,498	
Total	\$ 245,245	\$ 93,395

6. Pension Plan (Continued)

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

\$78,498 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ (4,510)
2020	51,018
2021	28,235
2022	(6,788)
2023	<u>5,402</u>
Total	<u>\$ 73,357</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated March 24, 2017.

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.

NOTES TO FINANCIAL STATEMENTS

6. Pension Plan (Continued)

Actuarial Assumptions (Continued)

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

Asset Class	Asset Allocation	Long-term Expected Real Rate of Return
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the Commission will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Commission's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Commission's proportionate share of the net pension liability	\$ 1,253,298	\$ 760,682	\$ 346,789

IPERS' Fiduciary Net Position

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

Payables to IPERS

All legally required Commission contributions and legally required employee contributions which had been withheld from employee wages were remitted by the Commission to IPERS by June 30, 2018.

7. Medical Insurance/Health Alternative

Plan Description

The Commission operates a benefit plan which provides medical/prescription drug benefits for active employees. There are 17 active members currently in the plan. The medical/prescription drug benefits are provided through a plan with Wellmark. The Commission partially self-insures. The plan deductible is \$2,800 and the Commission self-insures to a \$750 deductible. The Commission has a third-party administrator to handle the claims. Regular full-time employees are eligible for single coverage health insurance. Employees who refuse coverage under the Commission's health insurance policy will be allowed \$175 to a 457 (b) tax sheltered annuity under a plan established by the Commission.

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

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

Funding Policy

The contribution requirements of plan members are established and may be amended by the Commission. The most recent active member monthly premium for the Commission and plan members was \$608 medical, \$38 dental, and \$8 for vision. Family coverage is available and the monthly cost to the employee is \$1,321 for medical, \$93 for dental, and \$None for vision.

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

For the year ended June 30, 2018, the Commission contributed \$121,057 to the plan.

8. Risk Management

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

9. Support from Governmental Units

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

NOTES TO FINANCIAL STATEMENTS

10. Indirect Costs

Upper Explorerland Regional Planning Commission has adopted a cost allocation plan to allocate indirect costs to the various programs. Any cost, which cannot be assigned directly to a program, is allocated based upon this cost allocation plan. Indirect costs allocated to the various programs for the year ended June 30, 2018, totaled \$169,819.

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

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

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

Indirect costs are allocated based on the direct payroll percentages.

11. Restricted Net Position

As of June 30, 2018, the Commission's restricted net position consists of the following:

Net Position:			
HAWC		\$	52,933
RLF			463,961
Net Position:			
IRP:			
Local match	\$	350,000	
Loan pool		123,076	
Reserve for bad debt		43,162	516,238
Total restricted net position		\$	1,033,132

12. Operating Leases

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

13. Joint Venture

The Commission participated 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. The Commission participated in MetroNet until September 18, 2017.

NOTES TO FINANCIAL STATEMENTS

14. Fiscal Agent

The Commission acts as a fiscal agent for various programs. Monies are passed through to other parties as needed. Pass through dollars held by the Commission at June 30, 2018 are as follows:

HAWC Revolving Loan Fund	\$	52,933
Northeast Iowa Business Network (NIBN)		26,146
Total		\$ 79,079

15. Functional Allocation of Expenses

As of June 30, 2018, the costs of providing various programs and other activities have been allocated on a functional basis and are as follows:

Salaries	\$	1,005,424
Employee benefits		312,643
Travel and per diem		18,646
Contracted service		8,667
Conferences and training		7,680
Other support		33,284
Equipment purchase/lease		106,864
Office/office supplies		6,034
Occupancy expense		75,945
Legal/professional fees		5,038
Allocated costs		144,710
Interest		4,767
Grants/programs		1,877,039
Depreciation		28,239
Total		\$ 3,634,980

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, 2018, this amounted to \$190,363. The Housing Authority was audited separately as of June 30, 2018, and received an unmodified opinion dated November 28, 2018.

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 \$61,453. The UERPC Housing was audited separately as of June 30, 2018, and received an unmodified opinion dated November 5, 2018.

The Commission started a new program called Homeowner Rehabilitation Program. One of the Commission's employees' mom received a grant from this program. We reviewed the file and noted that all items were completed properly and that all requirements were met.

17. Contingencies

Grant Funding

The Commission participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units and can vary from year to year. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the Commission may be required to reimburse the grantor government. As of June 30, 2018, 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.

18. New Governmental Accounting Standards Board (GASB) Standards

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

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

19. Subsequent Events

Management has evaluated subsequent events through December 21, 2018, the date on which the financial statements were available to be issued.

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 Four Years*
 (In Thousands)

	2018	2017	2016	2015
Commission's proportion of the net pension liability	0.011420%	0.012614%	0.012394%	0.011920%
Commission's proportionate share of the net pension liability	\$ 761	\$ 794	\$ 612	\$ 473
Commission's covered payroll	\$ 852	\$ 907	\$ 840	\$ 784
Commission's proportionate share of the net pension liability as a percentage of its covered payroll	89.32%	87.54%	72.86%	60.33%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%	85.19%	87.61%

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

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

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily required contribution	\$ 83	\$ 76	\$ 81	\$ 75	\$ 70	\$ 71	\$ 90	\$ 100	\$ 53	\$ 45
Contributions in relation to the statutorily required contribution	(83)	(76)	(81)	(75)	(70)	(71)	(90)	(100)	(53)	(45)
Contribution deficiency (excess)	<u>\$ -</u>									
Commission's covered payroll	\$ 930	\$ 852	\$ 907	\$ 840	\$ 784	\$ 819	\$ 1,115	\$ 1,439	\$ 797	\$ 709
Contributions as a percentage of covered payroll	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%

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

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

Year Ended June 30, 2018

Changes of Benefit Terms

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

Changes of Assumptions

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

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

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

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

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

Other Supplementary Information

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2018

SCHEDULE 1

	Special Revenue Fund HAWC	Total Nonmajor Funds
ASSETS		
Cash and cash equivalents	\$ 50,340	\$ 50,340
Receivables:		
Interest	3	3
Loans receivables	3,159	3,159
Total assets	\$ 53,502	\$ 53,502
LIABILITIES		
Due to other funds	\$ 569	\$ 569
FUND BALANCES		
Fund balances:		
Restricted for:		
HAWC	52,933	52,933
Total liabilities and fund balances	\$ 53,502	\$ 53,502

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, 2018

	Special Revenue Fund <u>HAWC</u>	Total Nonmajor Funds <u></u>
REVENUES		
Local sources:		
Interest	\$ 305	\$ 305
Total revenues	<u>305</u>	<u>305</u>
EXPENDITURES		
Allocated costs	<u>40</u>	<u>40</u>
Total expenditures	<u>40</u>	<u>40</u>
EXCESS OF REVENUES OVER EXPENDITURES	265	265
FUND BALANCE, beginning of year	<u>52,668</u>	<u>52,668</u>
FUND BALANCE, end of year	<u>\$ 52,933</u>	<u>\$ 52,933</u>

See Independent Auditor's Report.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

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

- (a) The auditor's report expresses unmodified opinions on whether the financial statements of Upper Explorerland Regional Planning Commission were prepared in accordance with U.S. generally accepted accounting principles.
- (b) Two 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) Two significant deficiencies in internal control over the major programs were disclosed by the audit of the financial statements. No material weaknesses noted.
- (e) The auditor's report on compliance for the major federal award programs for Upper Explorerland Regional Planning Commission expresses an unmodified opinion on all major federal programs.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with 2 CFR Section 200.516(a).
- (g) The programs tested as major programs were as follows:
 - CFDA Number 17.274 – Youth Career Connect
 - CFDA Number 11.307 – Revolving Loan Fund
- (h) The threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Upper Explorerland Regional Planning Commission did qualify as a low-risk auditee.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

Part II: Findings Related to the Financial Statements:

Instances of noncompliance: no matters were noted.

Internal control deficiencies:

Finding 2018-001 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**

Corrective 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, the Commission's management has taken a couple classes and will continue to increase their knowledge and know that 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, 2018

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

Internal control deficiencies (continued):

Finding 2018-002 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

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

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

Part III: Findings and Questioned Costs for Federal Awards:

Instances of noncompliance: no matters were noted.

Internal control deficiencies:

CFDA Number 17.274 – Youth Career Connect

CFDA Number 11.307 – Revolving Loan Fund

Federal Award Year: 2018

See 2018-001 and 2018-002 above.

Part IV: Other Findings Related to Required Statutory Reporting:

See management letter dated December 21, 2018

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Grantor/Program	CFDA Number	Grant Number	Period of Grant	Passed Through to Subrecipients	Program Expenditures
Direct:					
U.S. Department of Commerce:					
Economic Development:					
Support for Planning Organizations	11.302	EDA-DEN-PL-DRO-2016-2004705	7/1/15-6/30/19	\$	70,000
U.S. Department of Labor:					
Youth Career Connect	17.274	YC-25422-14-60-A-19	4/1/14-4/30/19	\$	608,858
Youth Career Connect-Administration			4/1/14-4/30/19	94,772	121,865
				<u>703,630</u>	<u>827,891</u>
Indirect pass through:					
Iowa Workforce Development:					
Title I - Administration	17.258/17.259/17.278	17-W-01-WI-OA	7/1/15-6/30/20	37,941	74,946
		18-W-PF-ID-1-17	3/1/18-9/30/18		2,697
				<u>37,941</u>	<u>77,643</u>
Title I - Adult	17.258	17-W-01-WI-OA	7/1/15-6/30/20	121,263	222,789
WIOA Youth in School	17.259	17-W-01-WI-OA	7/1/15-6/30/20	168,807	172,210
WIOA Youth out of School		17-W-01-WI-OA	7/1/15-6/30/20		165,736
				<u>168,807</u>	<u>337,946</u>
WIOA Dislocated Worker	17.278	17-W-01-WI-OA	7/1/15-6/30/20	60,531	171,737
SP NEG		18-W-PF-ID-1-01	7/1/17-6/30/18		1,757
RR DLW		18-W-PF-ID-0-17	7/1/15-6/30/20	14,876	14,876
Cat EL		18-W-PF-ID-0-12	7/1/17-6/30/18		3,244
				<u>75,407</u>	<u>191,614</u>
Subtotal WIOA Cluster				<u>403,418</u>	<u>829,992</u>
Subtotal U.S. Department of Labor				<u>1,107,048</u>	<u>1,657,883</u>
U.S. Department of Transportation:					
Safe Routes to School	20.205	TAP-R-000S(829)-8T-00	8/31/17-8/3/18		47,050
		FHWA STP C/O	7/1/17-6/30/18		40,999
		FTA 5311	7/1/17-6/30/18		12,290
		FHWA SPR	7/1/17-6/30/18		29,472
		FHWA STP STBG	7/1/17-6/30/18		35,706
					<u>165,517</u>
Federal Emergency Management Agency:					
Allamakee Hazard Mitigation	97.042	PDMC-PL-07-IA2015-005-01	4/1/16-10/30/18		11,084
Fayette Hazard Mitigation		PDMC-PL-07-IA2015-008-01	4/1/16-10/30/18		18,634
					<u>29,718</u>

See Independent Auditor's Report.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Grantor/Program	CFDA Number	Grant Number	Period of Grant	Passed Through to Subrecipients	Program Expenditures
Direct (Continued):					
U.S. Department of Housing and Urban Development:					
Pass through Iowa Finance Authority:					
Home Investment Partnerships Program (HOME):					
Tenant Based Rental Assistance	14.239	17-HM-520	11/1/17-10/1/19		\$ 22,340
Community Development Block Grant:					
Marquette	14.228	15-HSG-018	7/17/15-7/31/18		17,523
Calmar		15-HSG-017	7/17/15-7/31/18		14,481
Monona		16-HSG-023	7/21/16-7/31/19		19,578
Strawberry Point		16-HSG-024	7/21/16-7/31/19		21,862
McGregor		16-HSG-003	7/1/16-4/1/19		9,927
Oelwein		17-HSG-015	6/23/17-6/30/20		7,197
Garnavillo		17-HSG-006	6/23/17-6/30/20		6,578
Calmar		17-WS-022	10/1/17-10/1/20		3,344
Ridgeway		17-WS-010	3/22/17-3/31/20		4,668
Postville		15-WS-028	7/17/15-7/31/18		14,220
Postville		16-WS-014	7/11/16-7/11/19		7,527
Strawberry Point		16-WS-027	7/1/16-7/1/19		20,889
					<u>147,794</u>
Subtotal U.S. Department of Housing and Urban Development					<u>170,134</u>
Loan Balance:					
U.S. Department of Agriculture:					
Housing Loans	10.415		01		249,862
Housing Loans	10.415		04		241,727
					<u>491,589</u>
U.S. Department of Commerce:					
Economic Development:					
Title IX Economic Adjustment Program					
Revolving Loan Fund	11.307	05-39-02360	Perpetual		384,267
Total Federal Financial Assistance					<u>\$ 1,107,048</u> <u>\$ 2,969,108</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, 2018

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, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Upper Explorerland Regional Planning Commission, it is not intended to and does not present the financial position, changes in net position or cash flows of Upper Explorerland Regional Planning Commission.

Summary of Significant Accounting Policies:

- 1) Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, 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, 2018.

<u>Loan Balance</u>	<u>Federal CFDA Number</u>	<u>Pass-through Identifying Number</u>	<u>Expenditures</u>
Housing Loans	10.415	01	\$ 201,698
Housing Loans	10.415	04	235,380
			<hr style="width: 100%; border: 0.5px solid black;"/> 437,078
 Revolving Loan	 11.307	 05-39-02360	 <hr style="width: 100%; border: 0.5px solid black;"/> 391,270
			 <hr style="width: 100%; border: 0.5px solid black;"/> \$ 828,348

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, 2018, 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 December 21, 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 2018-001 and 2018-002 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
December 21, 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, 2018. Upper Explorerland Regional Planning Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Upper Explorerland Regional Planning Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Upper Explorerland Regional Planning Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Upper Explorerland Regional Planning Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002 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
December 21, 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, 2018, 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 December 21, 2018, contains our report on the Commission's internal control over financial reporting. This letter does not affect our report dated December 21, 2018, on the basic financial statements of Upper Explorerland Regional Planning Commission. All prior year comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the Commission's responses and, accordingly, we express no opinion on them.

1. Disbursement Documentation

During the audit, we discovered out of the twenty-five disbursements selected, four invoices were not properly approved for payment and one invoice was not attached for documentation.

Recommendation

The Commission when writing checks should make sure all invoices are signed off for proper approval for payment and are substantiated by all of the invoices.

Response

The Commission agrees to double check the payment vouchers for signatures before paying an invoice and that all documentation is attached.

Conclusion

Response accepted.

2. Invoices Properly Cancelled

During our audit, we noted that invoices were not cancelled to show that they were paid.

Recommendation

We recommend the Commission stamp all invoices as paid in order to prevent possibility of paying again.

Response

The Commission agrees and will mark all invoices as paid after checks are written.

Conclusion

Response accepted.

3. YCC Coding

During our audit, there was one out of twenty-five disbursements selected that was coded to YCC and was actually for a WIOA Grant.

Recommendation

We recommend the Commission take extra time to review the coding of invoices into the software.

Response

The Commission agrees and will review more closely.

Conclusion

Response accepted.

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

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

Hacker, Nelson & Co., P.C.

Decorah, Iowa
December 21, 2018