

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

**FINANCIAL REPORT**

**JUNE 30, 2022**

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# Hacker Nelson & Co., CPAs

## INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

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

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Explorerland Regional Planning Commission, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

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 the Upper Explorerland Regional Planning Commission, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

#### Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Upper Explorerland Regional Planning Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Emphasis of Matter

As discussed in Note 17 to the financial statements, Upper Explorerland Regional Planning Commission adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 87 *Leases*. Our opinions are not modified with respect to this matter.

## Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Upper Explorerland Regional Planning Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Upper Explorerland Regional Planning Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Upper Explorerland Regional Planning Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, the schedule of the Commission's proportionate share of the net pension liability and the schedule of Commission contributions on pages 4 through 4d and pages 31 through 33 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Upper Explorerland Regional Planning Commission's June 30, 2022 basic financial statements. The supplementary information included in Schedules 1 through 4, and 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 presented in Schedules 1 through 4 and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2023, on our consideration of the 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 the 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., CPAs

Decorah, Iowa  
January 18, 2023

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION  
DECORAH, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2022

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, 2022. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

2022 FINANCIAL HIGHLIGHTS

- The Commission implemented Governmental Accounting Standards Board Statement (GASBS) No. 87, *Leases*, during fiscal year 2022. The implementation of this standard revised certain asset and liability accounts related to leases, however, had no effect on the beginning net position.
- Revenues of the Commission's governmental activities decreased 17.36% or \$464,993 from fiscal year 2021 to fiscal year 2022.
- Program expenses decreased 4.45% or \$84,925 less in fiscal year 2022 than in fiscal year 2021.
- The Commission's net position increased 16.5% or \$389,262 from June 30, 2021 to June 30, 2022.

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 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 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 which focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the general fund, 2) the special revenue funds, such as 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 for the years ended June 30, 2022 and 2021:

	<u>Condensed Statement of Net Position</u>	
	<u>(Expressed in Thousands)</u>	
	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 3,541	\$ 3,382
Capital assets	817	770
<b>Total assets</b>	<b>4,358</b>	<b>4,152</b>
Deferred outflows of resources	90	168
Current liabilities	331	551
Noncurrent liabilities	501	1,314
<b>Total liabilities</b>	<b>832</b>	<b>1,865</b>
Deferred inflows of resources	870	98
Net position:		
Net investment in capital assets	465	400
Restricted	1,582	1,585
Unrestricted	699	372
<b>Total net position</b>	<b>\$ 2,746</b>	<b>\$ 2,357</b>

Upper Explorerland Regional Planning Commission's net position increased \$389,262 or 16.5% from fiscal year 2021 to fiscal year 2022. 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 decreased \$3,339 or .19% over the prior year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements increased for the governmental activities \$326,765 or 87.9%.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following analysis shows the changes in net position for the governmental activities for the years ended June 30, 2022 and 2021:

	Changes in Net Position (Expressed in Thousands)	
	Governmental Activities	
	2022	2021
REVENUES		
Program revenue:		
Charges for service	\$ 415	\$ 438
Operating grants	1,714	2,140
General revenue:		
Rents	83	98
Unrestricted investment earnings	1	1
Other		1
Total revenues	<u>2,213</u>	<u>2,678</u>
PROGRAM EXPENSES		
Salaries	676	818
Employee benefits	163	282
Travel and per diem	8	3
Contracted services	32	8
Conferences and training	3	5
Bad debt expense	24	
Equipment purchase/lease		3
Office supplies	15	41
Occupancy expense	76	61
Legal/professional fees	24	53
Allocated costs	220	211
Interest	3	3
Grants/programs	535	389
Depreciation	45	32
Total expenses	<u>1,824</u>	<u>1,909</u>
Increase in net position	389	769
NET POSITION, beginning of year	<u>2,357</u>	<u>1,588</u>
NET POSITION, end of year	<u>\$ 2,746</u>	<u>\$ 2,357</u>

### INDIVIDUAL MAJOR FUND ANALYSIS

As the Commission completed the year, its governmental funds reported a combined fund balance of \$3,115,104, a \$98,900 decrease of the 2021 fiscal year end balance of \$3,214,004.

- The ending general fund balance showed a decrease of 2.86% from the prior year of \$1,357,748 to \$1,318,911. General fund revenues increased by \$304,467 or 19.01%. Expenditures increased by \$365,685 or 23.16%. The general fund can vary from year to year depending on various grants.
- The Revolving Loan Fund (RLF) balance at year end increased \$18,558 over the prior year. There were no new loans during fiscal year 2022.
- The Intermediary Relending Program (IRP) revenues decreased \$6,334 over the prior year. Expenditures increased \$8,109. The revolving loan funds balance at year end decreased by \$78,742 or 9.78%. There was one loan that was written off during fiscal year 2022 and two loans were paid off.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### *Capital Assets*

At the end of fiscal year 2022, the Commission had \$817,538 invested in a broad range of capital assets, including buildings, equipment and vehicles.

The Commission had depreciation/amortization expense of \$44,641 for fiscal year 2022 and total accumulated depreciation/amortization of \$353,181 as of June 30, 2022 for the governmental activities. Beginning capital assets was restated to implement GASB Statement No. 87, *Leases*. More detailed information about the Commission's capital assets is presented in Note 4 to the financial statements.

### *Debt*

At year-end, the Commission had \$661,290 in debt compared to \$980,629 in fiscal year 2021. Beginning debt was restated to implement GASB Statement No. 87, *Leases*. More detail is presented in Note 6 to the financial statements.

## ECONOMIC FACTORS BEARING ON THE COMMISSION'S FUTURE

The COVID-19 pandemic was the dominant factor steering the U.S. economy in 2021. Furthermore, this deep-seated macroeconomic shock was exasperating for the Commission by staffing and workload concerns. While the Commission was suffering a reduction in staff due to budget constraints and then struggling to find employees, the Pandemic has caused additional pressure of programming. The Commission's staff is doing what they can to service our businesses, residents, communities, and counties with the added programming.

The following are all economic factors that place a bearing on the Commission's future. Some of those include:

- **Housing:** Housing is a large concern, and many state and federal funders are focusing on the housing needs. Programming is developed then the funding is utilized quickly. There is never enough funding to go around. The Iowa Economic Development Authority changed their Community Development Block Grant program for housing, and this has made a large concern for the Commission's future as well as for the communities and residents.
- **Labor Market:** The Commission like the rest of the businesses within the nation are suffering to find suitable employees; lack of childcare, enhanced unemployment benefits and fear of getting COVID are just some of the reasons.
- **Recession:** With the increased cost of goods and services and the ripple effect of political instability the Commission's funds have been affected. Therefore, the Commission will continue to educate cities and counties of our great work and successes. The Commission will diversify where able on programming as well as target new funding streams.

The economic factors will be monitored closely and discussed with the Commissioners at great length. Management will work to expand our programming, expand our funding, and develop long-term solutions to energy usage.

## 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, 2022

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,918,000
Receivables:	
Accounts	23,487
Interest	1,391
Due from other governments	209,236
Prepaid expenses	1,853
Investments	10,085
Loan receivables	1,108,057
Lease receivables	268,845
Capital assets, non-depreciable	170,392
Capital assets, net of accumulated depreciation/amortization	647,146
<b>Total assets</b>	<b>4,358,492</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related deferred outflows of resources	90,370
<b>Total assets and deferred outflows of resources</b>	<b>\$ 4,448,862</b>
<b>LIABILITIES</b>	
Accounts payable	\$ 12,417
Due to other governments	5,030
Salaries and benefits payable	31,402
Accrued interest payable	1,264
Advances from grantors	107,794
Long-term liabilities:	
Portion due within one year:	
Notes payable	84,896
Right-to-use payable	5,731
Compensated absences	82,355
Portion due after one year:	
Notes payable	477,161
Right-to-use payable	11,147
Net pension liability	13,044
<b>Total liabilities</b>	<b>832,241</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Lease related deferred inflows	268,845
Pension related deferred inflows	601,442
<b>Total deferred inflows of resources</b>	<b>870,287</b>
<b>NET POSITION</b>	
Net investment in capital assets	465,424
Restricted for:	
HAWC	53,798
RLF	1,015,695
IRP	512,264
Unrestricted	699,153
<b>Total net position</b>	<b>2,746,334</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 4,448,862</b>

See Notes to Financial Statements.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2022

Functions and Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Service	Operating Grants, Contributions and Restricted Interest	
<b>GOVERNMENTAL ACTIVITIES</b>				
Community and economic development	\$ 1,823,666	\$ 415,935	\$ 1,713,789	\$ 306,058
Total governmental activities	<u>\$ 1,823,666</u>	<u>\$ 415,935</u>	<u>\$ 1,713,789</u>	<u>306,058</u>
<b>GENERAL REVENUES</b>				
Unrestricted investment earnings				506
Rents				82,698
Total general revenues				<u>83,204</u>
Change in net position				389,262
NET POSITION, beginning of year				<u>2,357,072</u>
NET POSITION, end of year				<u>\$ 2,746,334</u>

See Notes to Financial Statements.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2022

	General	Special Revenue Funds		Nonmajor Governmental Funds	Total Governmental Funds
		Revolving Loan Fund (RLF)	Intermediary Relending Program (IRP)		
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,227,331	\$ 234,138	\$ 402,733	\$ 53,798	\$ 1,918,000
Receivables:					
Accounts	16,189	7,198	100		23,487
Interest		627	764		1,391
Due from other funds	11,222				11,222
Due from other governments	209,236				209,236
Prepaid expenses	1,853				1,853
Investments	10,085				10,085
Loan receivables		782,932	325,125		1,108,057
Lease receivables	268,845				268,845
<b>Total assets</b>	<b>\$ 1,744,761</b>	<b>\$ 1,024,895</b>	<b>\$ 728,722</b>	<b>\$ 53,798</b>	<b>\$ 3,552,176</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 12,417				\$ 12,417
Salaries and benefits payable	31,402				31,402
Accrued interest	362				362
Due to other funds		\$ 9,200	\$ 2,022		11,222
Due to other governments	5,030				5,030
Advances from grantors	107,794				107,794
<b>Total liabilities</b>	<b>157,005</b>	<b>9,200</b>	<b>2,022</b>	<b>\$ -</b>	<b>168,227</b>
Deferred inflows of resources:					
Lease related	268,845				268,845
Fund balances:					
Restricted for:					
RLF		1,015,695			1,015,695
IRP			376,700		376,700
Local match			350,000		350,000
HAWC				53,798	53,798
Unassigned	1,318,911				1,318,911
<b>Total fund balances</b>	<b>1,318,911</b>	<b>1,015,695</b>	<b>726,700</b>	<b>53,798</b>	<b>3,115,104</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,744,761</b>	<b>\$ 1,024,895</b>	<b>\$ 728,722</b>	<b>\$ 53,798</b>	<b>\$ 3,552,176</b>

See Notes to Financial Statements.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2022

Reconciliation of governmental fund balances to net position:		
Total governmental fund balances	\$	3,115,104
Amounts reported for governmental activities in the statement of net position are difference 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/amortization of \$353,181.		817,538
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	\$ 90,370	
Deferred inflows of resources	<u>(601,442)</u>	(511,072)
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		(562,057)
Right-to-use payable		(16,878)
Accrued interest		(902)
Compensated absences		(82,355)
Net pension liability		<u>(13,044)</u>
Net position of governmental activities per Exhibit A	\$	<u><u>2,746,334</u></u>

See Notes to Financial Statements.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2022

	General	Special Revenue Funds		Nonmajor Governmental Funds	Total Governmental Funds
		Revolving Loan Fund (RLF)	Intermediary Relending Program (IRP)		
<b>REVENUES</b>					
Federal sources	\$ 490,161	\$ 36,194			\$ 526,355
Local sources:					
Interest	3,647	23,439	\$ 18,617	\$ 121	45,824
Rents	82,698				82,698
Other	1,329,287	314	170		1,329,771
<b>Total revenues</b>	<b>1,905,793</b>	<b>59,947</b>	<b>18,787</b>	<b>121</b>	<b>1,984,648</b>
<b>EXPENDITURES</b>					
Salaries	630,730	27,357	7,957		666,044
Employee benefits	292,483	11,692	3,420		307,595
Travel and per diem	7,991				7,991
Contracted services	31,816				31,816
Conferences and training	2,678				2,678
Other support	39,729				39,729
Equipment purchase/lease	68,776				68,776
Office supplies	14,504				14,504
Occupancy expense	30,371				30,371
Legal/professional fees	23,896				23,896
Other expense	6,960				6,960
Allocated costs	196,177	2,340	2,997		201,514
Interest			2,703		2,703
Bad debt expense			23,728		23,728
Grants/programs	554,318				554,318
Long-term debt principal	44,201		56,724		100,925
<b>Total expenditures</b>	<b>1,944,630</b>	<b>41,389</b>	<b>97,529</b>	<b>-</b>	<b>2,083,548</b>
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	(38,837)	18,558	(78,742)	121	(98,900)
FUND BALANCES, beginning of year	1,357,748	997,137	805,442	53,677	3,214,004
FUND BALANCES, end of year	\$ 1,318,911	\$ 1,015,695	\$ 726,700	\$ 53,798	\$ 3,115,104

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, 2022

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	\$	(98,900)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation/amortization in the current year as follows:		
Depreciation/amortization expense	\$ (44,641)	
Capital outlays	<u>68,776</u>	24,135
Forgiveness of PPP Loan		228,280
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.		100,925
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.		63,314
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	81,374	
Compensated absences	<u>(9,866)</u>	<u>71,508</u>
Change in net position of governmental activities per Exhibit B	\$	<u><u>389,262</u></u>

See Notes to Financial Statements.

# UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### 1. Nature of Operations and Significant Accounting Policies

#### a. Nature of Operations

Upper Explorerland Regional Planning Commission (Commission) was created under Chapters 473A and 28E, State Code of Iowa as a regional planning organization to serve Allamakee, Clayton, Fayette, Howard, and Winneshiek counties of Northeast 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 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 or 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 did participate in a jointly governed organization that provides services to the Commission and meets the criteria of a joint venture since there is ongoing financial interest or responsibility by the participating governments, however, as of September 18, 2017, the Commission withdrew as an anchor member of the Decorah MetroNet (MetroNet). The Commission has agreed to pay the balance owed of \$13,287 to MetroNet. See Note 6.b 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 Revolving Loan Fund (RLF) - special revenue fund, and the Intermediary Relending Program (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 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 IRP accounts for the receipts and disbursements of the Intermediary Relending Program. The program also makes low interest financing to new and expanding businesses in the five-county area.

*Measurement Focus and Basis of Accounting*

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

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

b. Significant Accounting Policies (Continued)

*Measurement Focus and Basis of Accounting (Continued)*

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

Local tax support/dues, 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 right-to-use agreements 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.

*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.

*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.

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)*

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

*Loan Receivables*

The Commission (through the IRP, RLF and HAWC Funds) loans out monies to provide financing to new and expanding businesses for which credit is not otherwise available on terms and conditions, which permit completion and/or the successful operation of proposed business activities. The Commission considers all loans to be fully collectible, and accordingly, no allowance for doubtful accounts has been established. If amounts become uncollectible, they will be expensed when that determination is made. A reserve for bad debt has been established for IRP Funds due to a provision in the IRP Revolving Fund Agreement. See Note 6.d for more information on the IRP Reserve for Bad Debt.

*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, 2022, 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.

*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 (except for intangible right-to-use lease assets, the measurement of which is discussed under "Leases" below) if purchased or constructed. 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 (In Years)
Buildings and improvements	10 - 39
Right-to-use leased assets	5
Furniture, equipment and vehicles	4 - 10

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)*

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

*Leases - Commission as Lessee*

The Commission is the lessee for a noncancellable lease of a copier. The Commission has recognized a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of the lease, the Commission initially measures the lease liability at the present value of payment expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payment made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Commission determines the discount rate it uses to discount the expected lease payments to present value, lease term and lease payments.

The Commission uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Commission generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and a purchase option price the Commission is reasonably certain to exercise.

The Commission monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

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)*

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

*Leases - Commission as Lessor*

The Commission is the lessor for a noncancellable lease of buildings. The Commission recognizes a lease receivable and a deferred inflow of resources in the government-wide financial statements.

At the commencement of a lease, the Commission initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Commission determines the discount rate it uses to discount the expected lease receipts to present value, lease term and lease receipts.

The Commission uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Commission monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

*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, 2022 was used to calculate the salaries payable.

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)*

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

*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, 2022. 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 represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the statement of net position consists of unrecognized items not yet charged to pension expense and deferred amounts related to leases.

*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.

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)*

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

*Net Position*

The statement of net position presents the Commission's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization 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 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.

2. Cash Management and Cash Equivalents

The Commission's deposits in banks at June 30, 2022 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.

NOTES TO FINANCIAL STATEMENTS

3. Lease Receivables

The Commission has leased a portion of its buildings in three separate three-year lease agreements. The Commission is to receive approximately \$68,500 in building rent annually with an implicit rate of 1.9%, 2%, and 1.9%. The following is a schedule by year of future minimum lease payments and the present value of net minimum lease payments following June 30, 2022.

Year Ending June 30,	Amount
2023	\$ 68,469
2024	68,469
2025	47,950
2026	46,083
2027	46,084
2028	3,840
Total minimum lease payments	280,895
Less amount representing interest	(12,050)
Total	\$ 268,845

4. Capital Assets

Capital assets activity for the year ended June 30, 2022 is as follows. The Commission had no capitalized interest costs for the year ended June 30, 2022.

	Balance June 30, 2021 As Restated	Additions	Balance June 30, 2022
Land	\$ 170,392	\$ -	\$ 170,392
Capital assets being depreciated:			
Buildings and improvements	799,378	59,276	858,654
Furniture, equipment and vehicles	103,517	9,500	113,017
Total capital assets being depreciated	902,895	68,776	971,671
Less accumulated depreciation for:			
Buildings and improvements	234,203	22,408	256,611
Furniture, equipment and vehicles	68,606	16,502	85,108
Total accumulated depreciation	302,809	38,910	341,719
Total capital assets being depreciated, net	600,086	29,866	629,952
Intangible right-to-use assets:			
Leased equipment	28,656		28,656
Less accumulated amortization	5,731	5,731	11,462
Total capital assets being amortized, net	22,925	(5,731)	17,194
Capital assets, net	\$ 793,403	\$ 24,135	\$ 817,538

NOTES TO FINANCIAL STATEMENTS

5. **Investments**

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

Description	Fair Value June 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)
Common stock	\$ 10,085	\$ 10,085

Fair values for investments in level 1 are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values for investments in level 2 are determined based on recent prices of similar assets. Fair values for level 3 are based on significant unobservable inputs for the asset or liability. The Commission had no level 2 or 3 inputs.

6. **Long-term Debt Obligations**

Long-term liability activity for the year ended June 30, 2022 is as follows:

	Balance June 30, 2021 As Restated	Additions	Reductions	Balance June 30, 2022	Amounts Due Within One Year
<b>Notes payable:</b>					
Freedom Bank	\$ 370,890		\$ 35,654	\$ 335,236	\$ 29,634
Decorah MetroNet	15,787		2,500	13,287	2,500
USDA (01)	79,196		41,654	37,542	37,542
USDA (04)	191,062		15,070	175,992	15,220
PPP loan	228,280		228,280	-	
Right-to-use payable	22,925		6,047	16,878	5,731
Compensated absences	72,489	\$ 82,355	72,489	82,355	82,355
<b>Long-term liabilities</b>	\$ 980,629	\$ 82,355	\$ 401,694	\$ 661,290	\$ 172,982

**Notes Payable**

a. **Freedom Bank**

Is to be repaid in monthly payments of \$3,142 that began on November 15, 2013 with a balloon payment due October 15, 2023. The loan was refinanced to change the interest rate from 4.5% to 2.625% in September 2021. The note is collateralized by real estate. The Commission has been making additional principal payments of \$750 a month.

b. **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 first day of June 2018 and the first day of each June thereafter through June 1, 2028 when any remaining balance will be due and payable in full. The original investment of \$77,500 was removed as an investment and expensed on the statement of revenues, expenditures and changes in fund balances in fiscal year 2018.

6. Long-term Debt Obligations (Continued)

Notes Payable (Continued)

c. 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%.

d. USDA (04)

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

On March 20, 2003, the Commission and Rural Development, United States Department of Agriculture agreed to combine the original \$1,000,000 IRP Revolving Loan Fund with the subsequent \$400,000 IRP Loan Fund. Under the new “Amended IRP Revolving Fund Agreement,” the loans will both be managed under the terms of the 4274-D regulations. The new agreement requires the Commission to create a “Reserve for Bad Debt.” The Reserve for Bad Debt should equal 6% of the outstanding principal balance of the ultimate recipient loans. The Reserve for Bad Debt should be approximately 6% of \$325,125 or \$19,507. The June 30, 2022 balance was \$19,507, which met the requirement.

e. Paycheck Protection Program Loan

On April 9, 2020, the Commission received loan proceeds in the amount of \$228,280 under the Paycheck Protection Program (“PPP”). Established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business’s average monthly payroll expenses. PPP loans and accrued interest are forgivable after a “covered period” (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. The Commission intends to use PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness within 10 months of the end of the covered period.

The Commission has recorded a note payable and will record forgiveness upon being legally released from the loan obligation. The loan was forgiven on November 25, 2020, and the forgiveness income has been recorded for the year ended June 30, 2021.

NOTES TO FINANCIAL STATEMENTS

6. Long-term Debt Obligations (Continued)

Notes Payable (Continued)

e. Paycheck Protection Program Loan (Continued)

On February 5, 2021, the Commission received a second PPP loan of \$228,280 with the same terms and conditions as above except for a maturity date of February 5, 2026. The Commission has recorded a note payable and will record forgiveness upon being legally released from the loan obligation. This loan was forgiven on October 27, 2021, and the forgiveness income has been recorded for the year ended June 20, 2022.

A summary of principal and interest maturities is as follows:

Year Ending June 30,	Freedom Bank		MetroNet	USDA (01)	
	Principal	Interest	Principal	Principal	Interest
2023	\$ 29,634	\$ 8,069	\$ 2,500	\$ 37,542	\$ 375
2024	30,041	7,662	2,500		
2025	30,839	6,864	2,500		
2026	31,659	6,045	5,787		
2027	32,500	5,204			
2028-2032	175,919	12,599			
2033	4,644	13			
<b>Total</b>	<b>\$ 335,236</b>	<b>\$ 46,456</b>	<b>\$ 13,287</b>	<b>\$ 37,542</b>	<b>\$ 375</b>

  

Year Ending June 30,	USDA (04)		Grand Totals	
	Principal	Interest	Principal	Interest
2023	\$ 15,220	\$ 1,760	\$ 84,896	\$ 10,204
2024	15,372	1,608	47,913	9,270
2025	15,526	1,454	48,865	8,318
2026	15,681	1,299	53,127	7,344
2027	15,838	1,142	48,338	6,346
2028-2032	81,597	3,302	257,516	15,901
2033	16,758	168	21,402	181
<b>Total</b>	<b>\$ 175,992</b>	<b>\$ 10,733</b>	<b>\$ 562,057</b>	<b>\$ 57,564</b>

6. Long-term Debt Obligations (Continued)

Right-to-Use Payable

The Commission entered into a lease agreement for a copier. Initial lease liability recorded in the amount of \$22,925 per Accounting Change/Restatement Note 17. The agreement requires a monthly payment of \$490 over five years with an interest rate of 1%. The lease ends in 2025.

Details of the Commission's lease agreement is as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 5,731	\$ 149	\$ 5,880
2024	5,789	91	5,880
2025	5,358	32	5,390
Long-term liabilities	\$ 16,878	\$ 272	\$ 17,150

7. 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](http://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.

7. Pension Plan (Continued)

*Pension Benefits (Continued)*

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

*Disability and Death Benefits*

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

*Contributions*

Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. 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 2022, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Commission contributed 9.44% of covered payroll, for a total rate of 15.73%.

The Commission's contributions to IPERS for the year ended June 30, 2022 totaled \$63,314.

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

At June 30, 2022, the Commission reported a net pension liability of \$13,044 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 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, 2021, the Commission's proportion was (0.003778)%, which was a decrease of 0.014295% from its proportion measured as of June 30, 2020.

NOTES TO FINANCIAL STATEMENTS

7. **Pension Plan (Continued)**

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

For the year ended June 30, 2022, the Commission recognized pension expense of \$(81,374). At June 30, 2022, 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	\$ 9,925	\$ 9,965
Changes of assumptions	8,532	
Net difference between projected and actual earnings on IPERS' investments		472,620
Changes in proportion and differences between Commission contributions and the Commission's proportionate share of contributions	8,599	118,857
Commission contributions subsequent to the measurement date	63,314	
<b>Total</b>	<b>\$ 90,370</b>	<b>\$ 601,442</b>

\$63,314 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2023	\$ (143,599)
2024	(145,495)
2025	(133,821)
2026	(146,525)
2027	(4,946)
<b>Total</b>	<b>\$ (574,386)</b>

There were no non-employer contributing entities to IPERS.

NOTES TO FINANCIAL STATEMENTS

7. Pension Plan (Continued)

*Actuarial Assumptions*

The total pension liability in the June 30, 2021 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, 2021 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2021 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

Asset Class	Asset Allocation	Long-term Expected Real Rate of Return
Domestic equity	22.0%	4.43%
International equity	17.5	6.01
Global smart beta equity	6.0	5.10
Core plus fixed income	26.0	0.29
Public credit	4.0	2.08
Cash	1.0	(0.25)
Private equity	13.0	9.51
Private real assets	7.5	4.63
Private credit	3.0	2.87
 Total	 <u>100.0%</u>	

7. Pension Plan (Continued)

*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	\$ 461,684	\$ 13,044	\$ (362,944)

*IPERS’ Fiduciary Net Position*

Detailed information about IPERS’ fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at [www.ipers.org](http://www.ipers.org).

*Payables to IPERS*

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, 2022.

8. Medical Insurance/Health Alternative

*Plan Description*

The Commission operates a benefit plan which provides medical/prescription drug benefits for active employees. There are twelve active members currently in the plan. The medical/prescription drug benefits are provided through a plan with Wellmark. The Commission partially self-insures. The plan deductible is \$4,000 and the out-of-pocket maximum is \$8,300. The Commission self-insures up to \$5,300 per employee for the deductible and out-of-pocket expenses. It was estimated that the Commission could be responsible for \$11,330 based on the 20% employee HRA Utilization. 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.

8. Medical Insurance/Health Alternative (Continued)

*Plan Description (Continued)*

Regular part-time employees (working a minimum of 1,560 hours per year) will be eligible for the medical insurance benefit according to hours worked. An employee who is laid off, has a reduction of hours, 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 \$739.58 medical, \$27.10 dental, and \$10.08 for vision. Single coverage is only available for health insurance (no dependents allowed on the plan). For dental, the cost for a dependent is based on age of dependent (<19 = \$19.24 and >19 is \$27.10). For vision, there is no cost to the employee for dependents.

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 employee.

For the year ended June 30, 2022, the Commission contributed \$75,663 to the plan.

9. Risk Management

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

10. 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.

11. Indirect Costs

The 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, 2022, totaled \$201,514.

The Commission 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.

NOTES TO FINANCIAL STATEMENTS

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12. Restricted Net Position

As of June 30, 2022, the Commission's restricted net position consists of the following:

Net position:		
HAWC	\$	53,798
RLF		1,015,695
Net position:		
IRP:		
Local match	\$	726,700
Loan pool		(902)
Reserve for bad debt		(213,534)
		512,264
Total restricted net position		\$ 1,581,757

13. Fiscal Agent

The Commission acts as a fiscal agent for various programs. Monies are passed through to other parties as needed. Pass through dollars held by the Commission as of June 30, 2022 are as follows:

HAWC Revolving Loan Fund	\$	53,798
Northeast Iowa Business Network (NIBN)		48,588
		102,386
Total	\$	102,386

14. Functional Allocation of Expenses

As of June 30, 2022, the costs of providing various programs and other activities have been allocated on a functional basis and are as follows:

Salaries	\$	675,910
Employee benefits		162,907
Travel and per diem		7,991
Contracted services		31,816
Conferences and training		2,678
Office supplies		14,504
Bad debt expense		23,728
Occupancy expense		76,147
Legal/professional fees		23,896
Other expense		913
Interest		2,703
Grants/programs		755,832
Depreciation		44,641
		1,823,666
Total	\$	1,823,666

15. Related Party Transactions

The Commission contracts with UERPC Housing, Inc. and provides management and administrative services including, but not limited to, grant writing services and applying for funding. Fees related to these services for the year amounted to \$68,422. The UERPC Housing, Inc. was audited separately as of June 30, 2022, and received an unmodified opinion dated December 7, 2022.

NOTES TO FINANCIAL STATEMENTS

15. **Related Party Transactions (Continued)**

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 very low-income individuals with assistance from the federal government. The Housing Authority operates in Allamakee, Clayton, Fayette, Howard, and Winneshiek counties of 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, 2022, this amounted to \$303,694. The Housing Authority was audited separately as of June 30, 2022, and received an unmodified opinion dated December 2, 2022.

16. **Contingent Liabilities**

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, 2022, significant amounts of grant expenditures have not been audited by granting authorities, but the Commission believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Commission.

17. **Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 87, *Leases*, was implemented during fiscal year 2022. The new requirements require the reporting of certain lease assets and liabilities which were previously not reported. The result of these changes had no effect on the beginning net position.

	Capital Assets	Long-term Liabilities Right-to-Use Payable
Balances June 30, 2021, as previously reported	\$ 770,478	
Change to implement GASBS No. 87	22,925	\$ 22,925
Balances July 1, 2021, as restated	\$ 793,403	\$ 22,925

18. **Subsequent Events**

The Commission was named in a lawsuit. This lawsuit was settled out-of-court by the insurance company in December 2022. The Commission paid the deductible but there may be additional costs to the Commission in the settlement.

Management has evaluated subsequent events through January 18, 2023, 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 Eight Years\*  
 (In Thousands)

	2022	2021	2020	2019	2018	2017	2016	2015
Commission's proportion of the net pension liability	-0.003778%	0.010517%	0.011268%	0.012163%	0.011420%	0.012614%	0.012394%	0.011920%
Commission's proportionate share of the net pension liability	\$ 13	\$ 739	\$ 652	\$ 770	\$ 761	\$ 794	\$ 612	\$ 473
Commission's covered payroll	\$ 752	\$ 848	\$ 858	\$ 929	\$ 851	\$ 907	\$ 840	\$ 784
Commission's proportionate share of the net pension liability as a percentage of its covered payroll	1.73%	87.15%	75.99%	82.88%	89.42%	87.54%	72.86%	60.33%
IPERS' net position as a percentage of the total pension liability	100.81%	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

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

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

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 64	\$ 71	\$ 80	\$ 81	\$ 83	\$ 76	\$ 81	\$ 75	\$ 70	\$ 71
Contributions in relation to the statutorily required contribution	(64)	(71)	(80)	(81)	(83)	(76)	(81)	(75)	(70)	(71)
Contribution deficiency (excess)	<u>\$ -</u>									
Commission's covered payroll	\$ 678	\$ 752	\$ 848	\$ 858	\$ 929	\$ 851	\$ 907	\$ 840	\$ 784	\$ 819
Contributions as a percentage of covered payroll	9.44%	9.44%	9.44%	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%

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, 2022

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*Changes of Benefit Terms*

There are no significant changes in benefit terms.

*Changes of Assumptions*

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

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

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

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

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

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

See Independent Auditor's Report.

**Other Supplementary Information**

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2022

SCHEDULE 1

	Special Revenue Fund HAWC	Total Nonmajor Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 53,798	\$ 53,798
Total assets	\$ 53,798	\$ 53,798
<b>FUND BALANCES</b>		
Fund balances:		
Restricted for:		
HAWC	\$ 53,798	\$ 53,798
Total fund balances	\$ 53,798	\$ 53,798

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, 2022

	Special Revenue Fund HAWC	Total Nonmajor Funds
REVENUES		
Local sources:		
Interest	\$ 121	\$ 121
Total revenues	121	121
EXPENDITURES		
Allocated costs	-	-
Total expenditures	-	-
EXCESS OF REVENUES OVER EXPENDITURES	121	121
FUND BALANCES, beginning of year	53,677	53,677
FUND BALANCES, end of year	\$ 53,798	\$ 53,798

See Independent Auditor's Report.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2022

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

1. 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.
2. No significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements. No material weaknesses are reported.
3. 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.
4. No significant deficiencies in internal control over the major federal award program was disclosed by the audit of the financial statements. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award program for Upper Explorerland Regional Planning Commission expresses an unmodified opinion on the major federal program.
6. The audit disclosed no audit findings which are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The program tested as a major program was as follows:
  - Federal Assistance Listing Number 10.767 Intermediary Relending Program
8. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
9. Upper Explorerland Regional Planning Commission was determined to be a low-risk auditee.

**Part II: Findings Related to the Financial Statements:**

Internal control deficiencies: no matters were noted.

Instances of noncompliance: no matters were noted.

**Part III: Findings and Questioned Costs for the Major Federal Award:**

Internal control deficiencies: no matters were noted.

Instances of noncompliance: no matters were noted.

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

No matters were noted.

See Independent Auditor's Report.

UPPER EXPLORERLAND REGIONAL PLANNING COMMISSION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2022

Grantor/Program	Federal Assistance Listing Number	Grant Number	Period of Grant	Program Expenditures
<b>Direct:</b>				
<b>U.S. Department of Commerce:</b>				
Economic Development Support for Planning Organizations	11.302	ED19DEN3020015	7/1/19-6/30/22	\$ 70,000
Economic Adjustment Assistance - COVID-19	11.307	ED20DEN3070040	7/1/20-6/30/22	206,928
Subtotal U.S. Department of Commerce				<u>276,928</u>
<b>U.S. Department of Transportation:</b>				
Highway Planning and Construction	20.205	TAP-R-000T(113)-8T-00	10/1/20-9/30/21 ext 12/16	26,425
		TAP-R-000T(136)-8T-00	12/17/21-9/30/22	32,775
				<u>59,200</u>
<b>Pass through Iowa Department of Transportation:</b>				
Highway Planning and Construction	20.205	22-RPA-01	7/1/21-6/30/22	73,476
Formula Grants for Rural Areas and Tribal Transit Program	20.509	22-RPA-01	7/1/21-6/30/22	5,242
				<u>78,718</u>
Subtotal U.S. Department of Transportation				<u>137,918</u>
<b>U.S. Department of Housing and Urban Development:</b>				
<b>Pass through Iowa Finance Authority:</b>				
<b>Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii:</b>				
City of Elma	14.228	19-HSG-007	9/1/19-8/31/22	5,989
City of Fayette		18-HSG-008	8/8/18-1/31/22	4,076
City of Fayette		18-HSG-008	7/13/21-1/31/21	789
City of Festina		21-WS-040	12/15/21-10/31/24	1,647
City of Fort Atkinson		20-WS-011	3/4/20 til Completion	5,200
City of Fort Atkinson		21-WS-025	12/15/21 til Completion	1,419
City of Guttenberg Food Assist		19-WS-019	7/1/19 til Completion	117
Howard County		20-CVN-023	2/16/22 til Completion	4,269
City of McGregor		20-CVN-031	3/14/22 til Completion	1,811
City of Monona		19-2-HM-159	1/21/21 til Completion	11
City of New Albin		21-WS-018	9/17/2021 til Completion	3,613
City of Oelwein		19-WS-032	11/25/2019 til Completion	5,601
City of Oelwein		20-CVN-023	2/16/22 til Completion	6,469
City of Postville		18-HSG-020	8/8/18-1/31/22	5,506
City of Strawberry Point		20-CVN-017	1/10/22 til Completion	3,698
Technical Services		WTFAP #22-16	2/18/22 til Completion	16,529
City of Volga		21-WS-039	12/15/21-10/31/24	1,731
City of Volga		20-CVN-023	2/16/22 til Completion	2,469
City of West Union		19-WS-019	7/1/19 til Completion	1,107
Subtotal U.S. Department of Housing and Urban Development				<u>72,051</u>
<b>U.S. Department of Agriculture:</b>				
<b>Pass through Rural Housing Service:</b>				
Community Facilities Loans and Grants	10.766		9/30/20-9/30/23	3,264
<b>Loan Balance:</b>				
<b>U.S. Department of Agriculture:</b>				
Intermediary Relending Program	10.767	01		79,196
Intermediary Relending Program	10.767	04		191,062
Subtotal U.S. Department of Agriculture				<u>270,258</u>
<b>U.S. Department of Commerce:</b>				
Economic Adjustment Assistance	11.307	05-39-02360	Perpetual	526,264
Total Federal Financial Assistance				<u>\$ 1,286,683</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, 2022

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**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, 2022. 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:**

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

**Subrecipients:**

- There were no awards passed through to subrecipients.

**Loan Outstanding:**

Upper Explorerland Regional Planning Commission had the following loan balances outstanding at June 30, 2022.

<u>Loan Balance</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-through Identifying Number</u>	<u>Expenditures</u>
Housing Loans	10.767	01	\$ 37,542
Housing Loans	10.767	04	175,992
Total			<u>\$ 213,534</u>

**EDA Calculation:**

Principal outstanding	\$ 415,918
Cash available for lending	101,196
RLF income used for administrative expense	9,150
	<u>526,264</u>
Federal grant rate	100%
Federal expenditure amount	<u>\$ 526,264</u>

See Independent Auditor's Report.



# Hacker Nelson & Co., CPAs

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, 2022, and the related notes to the financial statements, which collectively comprise Upper Explorerland Regional Planning Commission's basic financial statements and have issued our report thereon dated January 18, 2023.

#### Report on 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) as a basis for designing 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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*.

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., CPAs

Decorah, Iowa  
January 18, 2023



# Hacker Nelson & Co., CPAs

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE 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 the Major Federal Program

#### Opinion on the Major Federal Program

We have audited Upper Explorerland Regional Planning Commission's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Upper Explorerland Regional Planning Commission's major federal program for the year ended June 30, 2022. Upper Explorerland Regional Planning Commission's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Upper Explorerland Regional Planning Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

#### Basis for Opinion on the Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Upper Explorerland Regional Planning Commission and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Upper Explorerland Regional Planning Commission's compliance with the compliance requirements referred to above.

#### Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Upper Explorerland Regional Planning Commission's federal programs.

### Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Upper Explorerland Regional Planning Commission's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Upper Explorerland Regional Planning Commission's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Upper Explorerland Regional Planning Commission's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Upper Explorerland Regional Planning Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Upper Explorerland Regional Planning Commission's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### Report on 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.

Report on Internal Control over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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., CPAs

Decorah, Iowa  
January 18, 2023