

AREA 15 REGIONAL PLANNING COMMISSION

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2020

AREA 15 REGIONAL PLANNING COMMISSION

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AREA 15 REGIONAL PLANNING COMMISSION

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Representing</u>
<u>Board of Directors</u>		
Mike Hadley	Chairman	Keokuk County
Lee Dimmitt	Vice Chairman	Jefferson County
Bryan Ziegler	Treasurer	Economic Development
Matt Greiner	Member	Davis County
Wayne Huit	Member	Wapello County
Mark Groenendyk	Member	Mahaska County
Dale House	Member	Van Buren County
Jim Morlan	Member	Small Cities
John Helgersen	Member	Private Interest
Donnie Garrett	Member	Private Interest
Joshua Laraby	Member	Private Interest
Chris Bowers	Executive Director	



ANDERSON, LARKIN & CO., P.C.
Certified Public Accountants
"Your Success Is Our Business."

Kenneth E. Crosser, CPA
April D. Crosser, CPA
Michael J. Podliska, CPA
Alexander T. Barr, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Area 15 Regional Planning Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Area 15 Regional Planning Commission as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the Commission's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund and the aggregate remaining fund information of the Area 15 Regional Planning Commission as of June 30, 2020, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the management's discussion and analysis, the budgetary comparison information, the schedule of the Commission's proportionate share of the net pension liability and the schedule of Commission contributions on pages 4 through 7 and 27 through 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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 Area 15 Regional Planning Commission's basic financial statements. We previously audited, in accordance with standards referred to in the third paragraph of this report, the financial statements for the 2 years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements. Other auditors previously audited, in accordance with standards referred to in the third paragraph of this report, the financial statements for the 7 years ended June 30, 2017 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 and 2 including the Schedule of Expenditures of Federal Awards required by Title 2, *U.S. Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and the Schedule of Revenues by Source and Expenditures by function is presented for purposes of additional analysis and is a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2021, on our consideration of the Area 15 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 Area 15 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 Area 15 Regional Planning Commission's internal control over financial reporting and compliance.

ANDERSON, LARKIN & CO., P.C.

Anderson, Larkin & Co., P.C.

Ottumwa, Iowa
January 29, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Area 15 Regional Planning Commission (Commission) provides an overview of the Commission's financial activities for the year ended June 30, 2020 and is provided for consideration in conjunction with the Commission's financial statements, which follow.

2020 FINANCIAL HIGHLIGHTS

- Revenues of the Commission decreased from \$530,521 in fiscal year 2019 to \$486,343 in fiscal year 2020, and expenditures decreased from \$659,677 in fiscal year 2019 to \$472,574 in fiscal year 2020. The Commission's net position increased from \$1,729,352 at the end of the fiscal year 2019 to \$1,743,121 at the end of fiscal year 2020.
- The fiscal year 2020 revenue decrease was the result of a decrease in operating grants, contributions and restricted interest, and membership dues and fees.
- The fiscal year 2020 expenditure decrease was mainly the result of fewer grants made to private businesses in Wapello County.

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.

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 budget for the year, the Commission's proportionate share of the net pension liability and related contributions.

Supplementary Information includes the Schedule of Expenditures of Federal Awards which provides details of various federal programs benefiting the Commission and a Schedule of Revenues by Source and Expenditures by function – All Government Funds.

REPORTING THE COMMISSION'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the Commission as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Commission's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the Commission's net position and how it has changed. Net position – the difference between the Commission's assets and liabilities – is one way to measure the Commission's financial health or financial position. Over time, increases or decreases in the Commission's net position is an indicator of whether financial position is improving or deteriorating. To assess the commission's overall health, additional non-financial factors, such as changes in the Commission's members and the condition of equipment, need to be considered.

In the government-wide financial statements, the Commission's activities are categorized as governmental 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.

The commission has one kind of fund:

- 1) *Governmental funds*: The Commission's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that 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 Commission's governmental funds include the General Fund and the Regional Economic Development Investments Inc. Revolving Loan Fund.

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 fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of the Commission's net position at June 30, 2020 compared to June 30, 2019.

Net Position of Governmental Activities

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Current and other assets	\$ 1,950,499	\$ 1,934,947
Capital assets	<u>3,755</u>	<u>5,035</u>
Total assets	<u>1,954,254</u>	<u>1,939,982</u>
Deferred outflows of resources	<u>78,275</u>	<u>70,665</u>
Long-term liabilities	228,545	242,954
Other liabilities	<u>23,521</u>	<u>16,212</u>
Total liabilities	<u>252,066</u>	<u>259,166</u>
Deferred inflows of resources	<u>37,342</u>	<u>22,129</u>
Net position:		
Net investment in capital assets	3,755	5,035
Restricted	1,503,037	1,510,656
Unrestricted	<u>236,329</u>	<u>213,661</u>
Total net position	\$ <u>1,743,121</u>	\$ <u>1,729,352</u>

The Commission's combined net position increased by 0.80% or \$13,769 from the prior year.

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 \$7,619, or 0.50% from 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 \$22,668 or 10.61% over the prior year.

The following shows the changes in net position for the year ended June 30, 2020 compared to the year ended June 30, 2019.

Changes in Net Position of Governmental Activities

	<u>Year ended June 30, 2020</u>	<u>Year ended June 30, 2019</u>
Program revenues:		
Charges for service	\$ 223,544	\$ 232,550
Operating grants, contributions and restricted interest	206,451	249,230
General revenues:		
Local dues	52,836	45,229
Unrestricted investment earnings	<u>3,512</u>	<u>3,512</u>
Total revenues	<u>486,343</u>	<u>530,521</u>
Program expenses:		
Community and economic development	<u>472,574</u>	<u>659,677</u>
Total expenses	<u>472,574</u>	<u>659,677</u>
Change in net position	13,769	(129,156)
Net position – beginning of period	<u>1,729,352</u>	<u>1,858,508</u>
Net position – end of period	\$ <u>1,743,121</u>	\$ <u>1,729,352</u>

As shown above, the Commission as a whole experienced an 8.33% decrease in revenues and a 28.36% decrease in expenses. The decrease in revenues was primarily due to a decrease in operating grants, contributions and restricted interest, and membership dues and fees. The decrease in expenses was primarily due to a decrease in community and economic development expenses in fiscal year 2020.

Governmental Activities

Revenues for governmental activities were \$486,343 and expenses were \$472,574 for the year ended June 30, 2020. For the year ended June 30, 2020:

- The cost financed by the users of the Commission's programs was \$280,470.
- Federal and state governments and private businesses subsidized certain programs with grants and contributions totaling \$206,451.
- The new cost of governmental activities was financed with \$(4,090) in local dues and \$3,512 in unrestricted interest earnings.

The cost of all activities this year was \$472,574 compared to \$659,677 last year. These costs were primarily financed by those who directed benefited from the programs and grants and contributions from the federal and state government and from private businesses.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the Commission as a whole is reflected in its governmental funds, as well. As the Commission completed the year, its governmental funds reported combined fund balances of \$1,902,259 an increase of \$7,275 from last year's ending fund balances of \$1,894,984.

Governmental Fund Highlights

The General Fund balance increased from \$506,237 to \$532,691. This increase was primarily due to increased service revenue in fiscal year 2020.

The Regional Economic Development Investments, Inc. Revolving Loan Fund balance decreased from \$1,388,747 at the end of fiscal year 2019 to \$1,369,568 at the end of fiscal year 2020 due to a decrease in miscellaneous revenue.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

At June 30, 2020, the Commission had \$3,755 invested, net of accumulated depreciation, in furniture and equipment. This represents a net decrease of 25.42% from last year. More detailed information about the Commission's capital assets is presented in note 6 to the financial statements. Depreciation expense for the year was \$1,280.

The original cost of the Commission's capital assets was \$25,388. The decrease in capital assets during fiscal year 2020 is due to current year depreciation expense.

Long-term liabilities

	Long-Term Liabilities	
	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Compensated absences	\$ 24,506	\$ 24,956
Net pension liability	<u>204,039</u>	<u>217,998</u>
	\$ <u>228,545</u>	\$ <u>242,954</u>

Long-term liabilities decreased during the year ended June 30, 2020 due to decreases to the net pension liability.

ECONOMIC FACTORS BEARING ON THE COMMISSION'S FUTURE

The Commission's Executive Committee considered various factors when setting the fiscal year 2020 budget and fees that will be charged for agency activities. The Commission's operations are expected to remain consistent with the previous year. Federal and state capital and operating grants are expected to tighten moving forward due to budget concerns.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our local governments, local transit subcontractors and the citizens of Southeastern Iowa with a general overview of the Commission's finances to demonstrate the Commission's accountability for the money it receives. If you have any questions or need additional information, please contact the Area 15 Regional Planning Commission at 224 East 2nd Street, Suite 2, PO Box 1110, Ottumwa, Iowa 52501.

BASIC FINANCIAL STATEMENTS

AREA 15 REGIONAL PLANNING COMMISSIONSTATEMENT OF NET POSITION
JUNE 30, 2020ASSETS:

Cash and cash equivalents	\$ 588,161
Accounts receivable	73,030
Loans receivable, less allowance for loan losses	972,959
Forgivable loans receivable	311,333
Prepaid expenses	5,016
Capital assets, net of accumulated depreciation	3,755
Total assets	<u>1,954,254</u>

DEFERRED OUTFLOWS OF RESOURCES:

Pension related deferred outflows	<u>78,275</u>
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LIABILITIES:

Accounts payable	4,465
Accrued payroll and related taxes	15,703
Deferred revenue	3,353
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	24,506
Portion due or payable after one year:	
Net pension liability	<u>204,039</u>
Total liabilities	<u>252,066</u>

DEFERRED INFLOWS OF RESOURCES:

Pension related deferred inflows	<u>37,342</u>
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NET POSITION:

Net investment in capital assets	3,755
Restricted for:	
Loan purposes	1,369,568
Housing purposes	75,818
Marketing purposes	57,651
Unrestricted	<u>236,329</u>
Total net position	\$ <u>1,743,121</u>

AREA 15 REGIONAL PLANNING COMMISSION

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	Program Revenues				Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
FUNCTIONS/PROGRAMS:					
Governmental activities:					
Community & economic development	\$ 472,574	\$ 223,544	\$ 206,451	\$ -	\$ (42,579)
General Revenues:					
Unrestricted investment earnings					3,512
Local dues					52,836
Total general revenues					56,348
Change in net position					13,769
Net position beginning of year					1,729,352
Net position end of year					\$ 1,743,121

AREA 15 REGIONAL PLANNING COMMISSION

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2020

		Special Revenue		
		Regional Economic Development Investments, Inc. Revolving Loan Fund		
	General			Total
<u>ASSETS:</u>				
Cash and cash equivalents	\$ 502,885	\$ 85,276	\$	588,161
Accounts receivable	73,030	-		73,030
Loans receivable, less allowance for loan losses		972,959		972,959
Forgivable loans receivable		311,333		311,333
Prepaid expenses	5,016	-		5,016
TOTAL ASSETS	\$ 580,931	\$ 1,369,568	\$	1,950,499
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ 4,465	\$ -	\$	4,465
Accrued payroll and related taxes	15,703	-		15,703
Deferred revenue	3,353	-		3,353
TOTAL LIABILITIES	23,521	-		23,521
<u>DEFERRED INFLOWS OF RESOURCES:</u>				
Unavailable revenues:				
Other	24,719	-		24,719
TOTAL DEFERRED INFLOWS OF RESOURCES	24,719	-		24,719
Nonspendable:				
Loans receivable	-	1,284,292		1,284,292
Prepaid expenses	5,016	-		5,016
Restricted for:				
Loan purposes	-	85,276		85,276
Housing purposes	75,818	-		75,818
Marketing purposes	57,651	-		57,651
Unassigned	394,206	-		394,206
TOTAL FUND BALANCES	532,691	1,369,568		1,902,259
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 580,931	\$ 1,369,568	\$	1,950,499

AREA 15 REGIONAL PLANNING COMMISSION

RECONCILIATION OF THE BALANCE SHEET -
 GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
 JUNE 30, 2020

Total governmental fund balances		\$	1,902,259
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Certain assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.			
			24,719
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.			
			3,755
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	\$	78,275	
Deferred inflows of resources		<u>(37,342)</u>	40,933
Long-term liabilities, including compensated absences payable and net pension liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.			
			<u>(228,545)</u>
Net position of governmental activities	\$	<u>1,743,121</u>	

AREA 15 REGIONAL PLANNING COMMISSION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

		<u>Special Revenue</u>	
		<u>Regional</u>	
		<u>Economic</u>	
		<u>Development</u>	
		<u>Investments, Inc.</u>	
		<u>Revolving</u>	
	<u>General</u>	<u>Loan Fund</u>	<u>Total</u>
<u>REVENUES:</u>			
Use of money and property:			
Interest Income	\$ 3,512	\$ 29,487	\$ 32,999
Charges for service:			
Loan origination fees	-	3,750	3,750
Contract administration	219,794	-	219,794
Total charges for service	219,794	3,750	223,544
Intergovernmental:			
Federal funds	154,819	-	154,819
State funds	16,177	-	16,177
Membership dues and fees	52,836	-	52,836
Total intergovernmental	223,832	-	223,832
Miscellaneous	-	5,000	5,000
Total Revenues	447,138	38,237	485,375
<u>EXPENDITURES:</u>			
Operating:			
Personnel	276,886	-	276,886
Fringe benefits	80,163	-	80,163
Travel	2,715	-	2,715
Phone	2,525	-	2,525
Printing and postage	2,181	-	2,181
Supplies	2,614	-	2,614
Equipment	861	-	861
Contractual	4,250	-	4,250
Other	26,876	421	27,297
Grant award		49,000	49,000
Administration	-	7,995	7,995
Indirect costs	21,613	-	21,613
Total expenditures	420,684	57,416	478,100
Change in fund balances	26,454	(19,179)	7,275
Fund balances beginning of year	506,237	1,388,747	1,894,984
Fund balances end of year	\$ 532,691	\$ 1,369,568	\$ 1,902,259

AREA 15 REGIONAL PLANNING COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

Change in fund balances - Total governmental funds	\$	7,275
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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, these costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense in the current year is as follows:

Depreciation expense		(1,280)
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Certain accounts receivable not collected for several months after year end are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds.

968

The current year Commission IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflows of resources in the Statement of Net Position.

26,118

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:

Compensated absences	\$	450	
Pension expense		(19,762)	(19,312)

Change in net position of governmental activities	\$	13,769
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AREA 15 REGIONAL PLANNING COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Area 15 Regional Planning Commission (Commission) is an intergovernmental agency established in accordance with the provisions of Chapter 28E of the Code of Iowa. The Commission is a voluntary organization of counties and municipal corporations in the east south-central Iowa region. All territory within six identified counties which are Davis, Jefferson, Keokuk, Mahaska, Van Buren and Wapello is designated to be the east south-central Iowa region.

The Commission is the recipient of several program grants. In addition, funds are received from local member governments to aid in the planning functions of the Commission. In exchange for these member government contributions, the commission provides information, planning services, and technical assistance as well as coordinates the activities of these local governments with other local governments or grantor agencies. The Commission functions as the comprehensive planning and review agency for the Commission's region and is available to assist member governments in any other manner that they may direct.

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

A. Reporting Entity

For financial reporting purposes, the Commission has included all funds, 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.

These financial statements present the commission (the primary government) and its component unit. The component unit discussed below is included in the Commission's reporting entity because of the significance of its operational or financial relationship with the Commission.

Blended Component Unit – The Regional Economic Development Investments, Inc. has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to provide loans to area businesses. The Commission's Executive Board is also the Board of Regional Economic Development Investments, Inc., and the commission can impose its will on Regional Economic Development Investments, Inc. In accordance with the criteria set forth by the Governmental Accounting Standards Board, the Regional Economic Development Investments, Inc. meets the definition of component units which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the Commission.

The component unit is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provides tax exemption for corporations organized and operated exclusively for religious, charitable or educational purposes. The component unit has also been classified as an entity that is not a private foundation.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the Commission and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are primarily supported by intergovernmental revenues and charges for services.

AREA 15 REGIONAL PLANNING COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Government-wide Financial Statements (Continued)

The Statement of Net Position present 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 and reduced by outstanding balances of the related debt.

Restricted net position results when constraints placed on net position use either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

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

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.

Fund Financial Statements – Separate financial statements are provided for the governmental funds, even though the latter are excluded from the government-wide financial statements. Major governmental funds are reported as separate columns in the fund financial statements.

The Commission reports the following major governmental funds:

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

Special Revenue:

The Regional Economic Development Investments, Inc. – Revolving Loan Fund is used to account for revolving loan fund revenues and expenditures. The Regional Economic Development Investments, Inc. is a blended component unit of the Commission.

C. Measurement Focus and Basis of Accounting

The government-wide statements and fund 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 the cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

AREA 15 REGIONAL PLANNING COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. 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.

Intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are all 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 reported as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under 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 generally to pay the expenditure from restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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

Cash and Cash Equivalents – The cash balances of most Commission funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

Loans Receivable

Loans receivable are carried at the original loan amount less an estimate made for loan losses based on a review of all outstanding amounts on a yearly basis. Management determines the allowance for loan losses by identifying troubled loans and by using historical experience applied to an aging of loans. Loans receivable are written off when deemed uncollectible. Recoveries of loan receivables previously written off are recorded as income when received. The allowance for loan losses at June 30, 2020 was \$41,041. This amount consists of \$34,584 for the Commission and \$6,457 for the Regional Economic Development Investments, Inc.

Loans are placed on nonaccrual status when management believes that the loans are impaired. Interest income on nonaccrual loans is recognized only to the extent cash payments are received.

AREA 15 REGIONAL PLANNING COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets – Capital assets, which include equipment, are reported in the Statement of Net Position in Exhibit A. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. 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 initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Furniture and equipment	\$ 500

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Furniture and equipment	5-10

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.

Compensated Absences – Commission employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the entity-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2020.

Deferred revenue – Revenue from membership dues is deferred and recognized over the periods to which the dues relate.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

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 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 consist of unrecognized items not yet charged to pension expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

AREA 15 REGIONAL PLANNING COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

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.

Unassigned – All amounts not included in the preceding classifications.

NOTE 2: CASH AND INVESTMENTS

The Commission's deposits in banks at June 30, 2020 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 Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investments trusts, and warrants or improvement certificates of a drainage district.

NOTE 3: FORGIVABLE LOANS

Blended Component Unit:

The Regional Economic Development Investments, Inc. issues forgivable loans from grant monies received from the Ottumwa Regional Legacy Foundation. These loans are made for economic development, venture capital, and for the creation of jobs for businesses located in Wapello County. To qualify, the business has to meet the requirements as established by the Regional Economic Development Investments, Inc. and the Ottumwa Regional Legacy Foundation. The loans are from three to five years, and the principal balance is forgiven ratably over the life of the loan if certain requirements are met during the term of the loan. The loan funds are collateralized by security interests and personal guarantees of the owners.

At June 30, 2020, the forgivable loan balances were \$311,333. If certain conditions are met, these loan balances will be forgiven ratably at each yearly anniversary date over the next three to five years. During the fiscal year, total loan balance forgiven was \$49,000.

AREA 15 REGIONAL PLANNING COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 4: LOANS RECEIVABLE

Primary Government:

The Commission has established a revolving loan fund with funds received from the Iowa Finance Authority – Housing Assistance Fund. A maximum payment of \$3,000 for the first time homebuyers to be used for down payment, closing costs or minimal repair assistance will be made to qualified individuals. The loans carry a term of 5 years at 2% interest. The repayments of the loans are due monthly; however, the first principal and interest payment is not due until 12 months after closing. Until the loan balance is paid off, the Commission holds a second mortgage on the real estate. The loan borrowers for these loans have not made any payments on these loans in several years. The loans receivable balances on these loans were \$6,457 at June 30, 2020, less allowance for loan losses of \$6,457, with a net loan balance of \$0.

Blended Component Unit:

The following 13 loans represent loans made by Regional Economic Development Investments, Inc. with funds received by the Commission, as obtained from the U.S. Department of Commerce – Economic Development Administration from the Economic Adjustment Assistance grant program. These grant and local match monies are used to make loans to businesses. Loans are subject to guidelines provided by the federal granting agency and must stimulate the economy and encourage job creation.

Loans receivable are described below:

	<u>Original Amount</u>	<u>Repayment Terms</u>	<u>Security</u>	<u>Balance June 30, 2020</u>
Loan #1	\$ 48,000	60 monthly payments of \$906, including interest at 5%. Final payment due in May, 2001. This loan is currently delinquent.	Security agreement on machinery, equipment, furniture, furnishings, fixtures, inventory & accounts rec. Personal guarantee of corporate officers.	\$ 10,656
Loan #2	\$ 10,000	60 monthly payments of \$184, including interest at 4%. Final payment due in May, 2009. This loan is currently delinquent.	Security agreement on furnishings, fixtures, accounts receivable, inventory, all other general intangibles, & first possession security interest on two ATV's. Personal guarantee from the owners.	3,051
Loan #3	\$ 7,000	60 monthly payments of \$132, including interest at 5%. Final payment due in April, 2015. This loan is currently delinquent.	Security agreement on all inventory, accounts receivable, equipment, all other general intangibles, as well as specific equipment. Personal guarantee of owner.	6,995
Loan #4	\$ 15,000	60 monthly payments of \$267, including interest at 2.625%. Final payment due in March, 2021. This loan is currently delinquent.	Security agreement on all machinery, inventory, accounts receivable and all other general intangibles. Also, holds title to specific vehicle. Personal guarantee of owners.	12,830

AREA 15 REGIONAL PLANNING COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 4: LOANS RECEIVABLE (Continued)

	<u>Original Amount</u>	<u>Repayment Terms</u>	<u>Security</u>	<u>Balance June 30, 2020</u>
Loan #5	\$ 150,000	60 monthly payments of \$2,848, including interest at 5.250%. Final payment due in January, 2024.	Security agreement on all machinery, inventory, accounts receivable, all other general intangibles, as well as specific equipment. Personal guarantee of owner.	125,358
Loan #6	\$ 250,000	84 monthly payments of \$2,103, including interest at 4.75%. Final payment due in December, 2026.	Security agreement on all machinery, inventory, accounts receivable and all other general intangibles. Also, mortgage on real estate. Personal guarantee of owner.	241,253
Loan #7	\$ 160,000	84 monthly payments of \$1,838, including interest at 2.625%. Final payment due in February, 2023. Then 36 monthly payments of \$664 from March, 2023 to February, 2026.	Security agreement on all machinery, inventory, accounts receivable, all other general intangibles, as well as three injection mold machines. Personal guarantee of owners.	75,553
Loan #8	\$ 225,000	120 monthly payments of \$2,134, including interest at 2.625%. Final payment due in March, 2026.	Security agreement on machinery, inventory, accounts receivable and all other general intangibles. Personal guarantee of owner.	140,806
Loan #9	\$ 150,000	120 monthly payments of 1,423, including interest at 2.625%. Final payment due in April, 2026.	Security agreement on machinery, inventory, accounts receivable and all other general intangibles, as well as specific equipment. Personal guarantee of owners.	92,239
Loan #10	\$ 15,000	60 monthly payments of \$267, including interest at 2.625%. Final payment due in March, 2021.	Security agreement on all machinery, inventory, accounts receivable and all other general intangibles. Also, holds title to specific vehicle. Personal guarantee of owners.	2,899
Loan #11	\$ 225,000	84 monthly payments of \$2,954, including interest at 2.8125%. Final payment due in February, 2024.	Second security position on specific property. Corporate guarantee and personal guarantee of owners.	123,362
Loan #12	\$ 105,000	84 monthly payments of \$1,387, including interest at 3%. Final payment due in May, 2024.	Security agreement on all machinery, inventory, accounts receivable, all other general intangibles, as well as specific equipment. Also, mortgage on real estate. Corporate guarantee and personal guarantee of owners.	65,465

AREA 15 REGIONAL PLANNING COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 4: LOANS RECEIVABLE (Continued)

	<u>Original Amount</u>	<u>Repayment Terms</u>	<u>Security</u>	<u>Balance June 30, 2020</u>
Loan #13 \$	150,000	84 monthly payments of \$2,111, including interest at 4.500%. Final payment due in February, 2025.	Security agreement on all machinery, inventory, accounts receivable, all other general intangibles, as well as specific equipment. Also, mortgage on real estate. Corporate guarantee and personal guarantee of owners.	<u>107,076</u>
			Subtotal	1,007,543
			Less Allowance for Loan Losses	<u>(34,584)</u>
			Net loans receivable	\$ <u>972,959</u>

NOTE 5: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Capital assets being depreciated:				
Furniture and equipment	\$ <u>25,388</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>25,388</u>
Total capital assets being depreciated	<u>25,388</u>	<u>-</u>	<u>-</u>	<u>25,388</u>
Less accumulated depreciation for:				
Furniture and equipment	<u>20,353</u>	<u>1,280</u>	<u>-</u>	<u>21,633</u>
Total accumulated depreciation	<u>20,353</u>	<u>1,280</u>	<u>-</u>	<u>21,633</u>
Total capital assets being depreciated, net	\$ <u>5,035</u>	\$ <u>1,280</u>	\$ <u>-</u>	\$ <u>3,755</u>

Depreciation expense for the year totaled \$1,280.

All of the capital assets are owned by the primary government. The blended component unit did not have any capital assets during the fiscal year.

NOTE 6: LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2020 is as follows:

	<u>Net Pension Liability</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance beginning of year	\$ 217,998	\$ 24,956	\$ 242,954
Increases	-	24,506	24,506
Decreases	<u>13,959</u>	<u>24,956</u>	<u>38,915</u>
Balance end of year	\$ <u>204,039</u>	\$ <u>24,506</u>	\$ <u>228,545</u>
Due within one year	\$ <u>-</u>	\$ <u>24,506</u>	\$ <u>24,506</u>

All of the long-term liabilities were incurred by the primary government. The blended component unit did not have any long-term liabilities during the fiscal year.

AREA 15 REGIONAL PLANNING COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 7: OPERATING LEASES

The Commission has an operating lease for the rental of office space. The office space lease expires on June 30, 2022. Office space rental expense totaled \$10,740 for the year ended June 30, 2020.

Future minimum lease payments in relation to the office space and postage machine leases are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2021	\$ 10,740
2022	<u>10,740</u>
Total	\$ <u>21,480</u>

NOTE 8: 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 Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

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

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

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

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

AREA 15 REGIONAL PLANNING COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 8: PENSION PLAN (Continued)

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 2020, pursuant to the required rate, Regular members contributed 6.29 percent of covered payroll and the Commission contributed 9.44 percent of covered payroll for a total rate of 15.73 percent.

The Commission's contributions to IPERS for the year ended June 30, 2020 were \$26,118.

Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the Commission reported a liability of \$204,039 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019, the Commission's collective proportion was 0.003500 percent, which was an increase of 0.000054 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Commission recognized pension expense of \$19,762. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 566	\$ 7,336
Changes of assumptions	21,855	-
Net difference between projected and actual earnings on IPERS' investments	-	22,993
Changes in proportion and differences between Commission contributions and the Commission's proportionate share of contributions	29,736	7,013
Commission contributions subsequent to the measurement date	<u>26,118</u>	<u>-</u>
Total	\$ <u>78,275</u>	\$ <u>37,342</u>

AREA 15 REGIONAL PLANNING COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 8: PENSION PLAN (Continued)

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

\$26,118 reported as deferred outflows of resources related to pensions resulting from the Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>		<u>Total</u>
<u>June 30,</u>		
2021	\$	9,383
2022		1,724
2023		1,187
2024		642
2025		<u>1,879</u>
	\$	<u>14,815</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2019 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 percent per annum.
Rates of salary increase	3.25 to 16.25 percent average, including inflation.
(effective June 30, 2017)	Rates vary by membership group.
Long-term investment rate of return	7.00 percent compounded annually, net of investment
(effective June 30, 2017)	expense, including inflation.
Wage growth	3.25 percent per annum, based on 2.60 percent
(effective June 30, 2017)	inflation and .65 percent real wage inflation.

The actuarial assumptions used in the June 30, 2019 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 2019 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 arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>		<u>Long-Term Expected</u>	
			<u>Real Rate of Return</u>	
Domestic equity	22.0	%	5.60	%
International equity	15.0		6.08	
Global smart beta equity	3.0		5.82	
Core plus fixed income	27.0		1.71	
Public credit	3.5		3.32	
Public real assets	7.0		2.81	
Cash	1.0		(0.21)	
Private equity	11.0		10.13	
Private real assets	7.5		4.76	
Private credit	<u>3.0</u>		3.01	
Total	<u>100.0</u>	%		

AREA 15 REGIONAL PLANNING COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 8: PENSION PLAN (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Commission will be made at contractually required rates, actuarially determined. Based on those assumptions, the IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of 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 percent, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6 percent) or 1-percentage-point higher (8 percent) than the current rate.

	1% Decrease (6%)	Discount Rate (7%)	1% Increase (8%)
District's proportionate share of the net pension liability	\$ 362,307	\$ 204,039	\$ 71,285

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

Payables to IPERS – At June 30, 2020, the Commission reported payables to IPERS of \$1,676 for legally required Commission contributions and \$348 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

NOTE 9: RELATED PARTY TRANSACTIONS

The commission had business transactions between the Commission and Commission employees totaling \$10,740 during the year ended June 30, 2020.

NOTE 10: RISK MANAGEMENT

The 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.

NOTE 11: MORTGAGE LIENS

In addition to the mortgages discussed in notes 3 and 4 above, the Commission holds a first or second mortgage on several additional parcels of real estate. When certain criteria are met by the owners, either through the passage of time or ownership requirements, the Commission will release the mortgage. In the event of default by the owners, the Commission would be entitled to reimbursement. However, any reimbursement that might be received as a result of defaults is not believed to be material.

AREA 15 REGIONAL PLANNING COMMISSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 12: CONTINGENCY

The Commission and the component unit participate in a number of Federal and State grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant and loan agreements and applicable federal and state regulations, including the expenditures of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability to the Commission or the component unit. The Commission's and the component unit's management believes such revisions or disallowance, if any, will not be material to the Commission or the component unit.

NOTE 13: SUBSEQUENT EVENTS

The Commission has evaluated subsequent events through January 29, 2021, which is the date the financial statements were available to be issued.

The COVID-19 outbreak is disrupting business across a range of industries in the United States and financial markets have experienced a significant decline. As a result, local, regional and national economies, including that of the Commission, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact to the Commission's operations and finances

REQUIRED SUPPLEMENTARY INFORMATION

AREA 15 REGIONAL PLANNING COMMISSION

SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

FOR THE LAST FIVE YEARS *

(IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2020</u>
Commission's proportion of the net pension liability	0.003446 %
Commission's proportionate share of the net pension liability	\$ 204
Commission's covered payroll	\$ 265
Commission's proportionate share of the net pension liability as a percentage of its covered payroll	76.98 %
IPERS's net position as a percentage of the total pension liability	85.45 %

* 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.

<u>2019</u>		<u>2018</u>		<u>2017</u>		<u>2016</u>	
0.003446 %		0.003562 %		0.00314 %		0.003403 %	
\$	218	\$	235	\$	198	\$	168
\$	259	\$	273	\$	225	\$	233
84.17 %		86.08 %		88.00 %		72.10 %	
83.62 %		82.21 %		81.82 %		85.19 %	

AREA 15 REGIONAL PLANNING COMMISSION
SCHEDULE OF COMMISSION CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST TEN YEARS
 (IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 26	\$ 25	\$ 23
Contributions in relation to the statutorily required contribution	<u>(26)</u>	<u>(25)</u>	<u>(23)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Commission's covered payroll	\$ 275	\$ 265	\$ 259
Contributions as a percentage of covered payroll	9.44 %	9.44 %	8.93 %

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 24	\$ 20	\$ 21	\$ 21	\$ 22	\$ 20	\$ 18
____(24)	____(20)	____(21)	____(21)	____(22)	____(20)	____(18)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 273	\$ 225	\$ 233	\$ 232	\$ 254	\$ 248	\$ 259
8.93 %	8.93 %	8.93 %	8.93 %	8.67 %	8.07 %	6.95 %

AREA 15 REGIONAL PLANNING COMMISSION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

YEAR ENDED JUNE 30, 2020

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.

SUPPLEMENTARY INFORMATION

AREA 15 REGIONAL PLANNING COMMISSION

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

		Modified Accrual Basis			
		Year Ended June 30,			
		<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenues:					
Use of money and property	\$	32,999	\$ 29,189	\$ 27,442	\$ 22,659
Charges for service		280,470	232,550	209,379	386,327
Intergovernmental		166,906	211,396	206,962	177,642
Miscellaneous		<u>5,000</u>	<u>56,000</u>	<u>638,741</u>	<u>954,167</u>
Total	\$	<u>485,375</u>	<u>\$ 529,135</u>	<u>\$ 1,082,524</u>	<u>\$ 1,540,795</u>
Expenditures:					
Operating:					
Community and economic development	\$	<u>478,100</u>	<u>\$ 648,267</u>	<u>\$ 1,149,869</u>	<u>\$ 619,385</u>
Total	\$	<u>478,100</u>	<u>\$ 648,267</u>	<u>\$ 1,149,869</u>	<u>\$ 619,385</u>

SCHEDULE 1

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 12,790	\$ 11,003	\$ 13,687	\$ 15,735	\$ 17,559	\$ 28,541
176,349	217,909	151,862	143,315	140,674	79,354
172,066	170,730	191,393	264,205	338,866	784,731
<u>62,870</u>	<u>32,057</u>	<u>28,196</u>	<u>29,000</u>	<u>54,145</u>	<u>22,886</u>
\$ <u>424,075</u>	\$ <u>431,699</u>	\$ <u>385,138</u>	\$ <u>452,255</u>	\$ <u>551,244</u>	\$ <u>915,512</u>
\$ <u>437,083</u>	\$ <u>376,972</u>	\$ <u>508,276</u>	\$ <u>478,437</u>	\$ <u>567,035</u>	\$ <u>773,207</u>
\$ <u>437,083</u>	\$ <u>376,972</u>	\$ <u>508,276</u>	\$ <u>478,437</u>	\$ <u>567,035</u>	\$ <u>773,207</u>

AREA 15 REGIONAL PLANNING COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Program Expenditures</u>
<u>Direct:</u>			
U.S. Department of Commerce:			
Economic Development Administration:			
Economic Development - Support for Planning Organizations	11.302	ED16DEN3020067	\$ 70,000
Economic Adjustment Assistance	11.307	55702427	<u>792,847</u>
Total direct			<u>862,847</u>
<u>Indirect:</u>			
U.S. Department of Transportation:			
Iowa Department of Transportation:			
FHWA STBG C/O	20.205	20-RPA-15	1,837
FHWA SPR NEW	20.205	20-RPA-15	25,663
FHWA STBG NEW	20.205	20-RPA-15	31,656
Formula Grants For Rural Areas	20.509	20-RPA-15	<u>25,663</u>
Total indirect			<u>84,819</u>
Total			\$ <u>947,666</u>

AREA 15 REGIONAL PLANNING COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

Computation of CFDA Number 11.307 - Economic Adjustment Assistance

	<u>Grant Number</u>
	<u>55702427</u>
Balance of loans outstanding at June 30, 2020	\$ 1,007,543
Cash and investment balance at June 30, 2020	40,616
Administrative expenses paid out in fiscal year	8,970
Unpaid principal of loans written off during the fiscal year	-
Total	<u>1,057,129</u>
Federal percentage	<u>75.00%</u>

Amount included on Schedule of
Expenditures of Federal Awards \$ 792,847

Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Area 15 Regional Planning Commission under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Commission, it is not intended to and does not present the financial position, changes in financial position or cash flows of the Commission.

Summary of Significant Accounting Policies - Expenditures reported in the Schedule are reported on the accrual or modified accrual basis of accounting, except for revolving loan fund transactions (Economic Adjustment Assistance, CFDA 11.307), as explained above. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate - Area 15 Regional Planning Commission has elected not to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.



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"Your Success Is Our Business."

Kenneth E. Crosser, CPA
April D. Crosser, CPA
Michael J. Podliska, CPA
Alexander T. Barr, CPA

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

To the Board of Directors of the
Area 15 Regional Planning Commission

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Area 15 Regional Planning Commission as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated January 29, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Area 15 Regional Planning Commission's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Area 15 Regional Planning Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Area 15 Regional Planning Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Area 15 Regional Planning Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Area 15 Regional Planning Commission's Response to Findings

The Area 15 Regional Planning Commission's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Area 15 Regional Planning Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Area 15 Regional Planning Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO., P.C.

Anderson, Larkin & Co., P.C.

Ottumwa, Iowa
January 29, 2021



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

To the Board of Directors of the
Area 15 Regional Planning Commission

Report on Compliance for Each Major Federal Program

We have audited the Area 15 Regional Planning Commission's compliance with the types of compliance requirements described in the U.S. office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the major federal program for the year ended June 30, 2020. The Area 15 Regional Planning Commission's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Area 15 Regional Planning Commission's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Area 15 Regional Planning Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Area 15 Regional Planning Commission's compliance.

Opinion on the Major Federal Program

In our opinion, the Area 15 Regional Planning Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control over Compliance

The management of the Area 15 Regional Planning Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Area 15 Regional Planning Commission's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Area 15 Regional Planning Commission's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

ANDERSON, LARKIN & CO., P.C.

Anderson, Larkin & Co., P.C.

Ottumwa, Iowa
January 29, 2021

AREA 15 REGIONAL PLANNING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

Part I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance of the Uniform Guidance Section 200.516.
- (g) Major program was as follows:
 - CFDA Number
 - 11.307 Economic Adjustment Assistance
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The Area 15 Regional Planning Commission did qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-20 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of Area 15 Regional Planning Commission financial statements.

Condition – Generally, one or two individuals has control over each of the following areas for which minimal or no compensating controls exist:

- 1) Receipts – collecting, depositing, posting and reconciling.
- 2) Accounting system – performing all general accounting functions and having custody of Commission assets.
- 3) Bank reconciliations – Reconciling and approving.

Cause – The Commission has a limited number of individuals and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the Commission's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

AREA 15 REGIONAL PLANNING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

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

INTERNAL CONTROL DEFICIENCIES: (Continued)

II-A-20 Recommendation – The Commission should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff.

Response – The Commission will review its control procedures to obtain the maximum internal control possible with the limited staff it has.

Conclusion – Response acknowledged.

II-B-20 Preparation of Full Disclosure Financial Statements

Criteria – A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity

Condition – As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Cause – We recognize that with a limited number of office employees, preparation of the financial statements and accompanying notes to the financial statements is difficult.

Effect – The effect of this condition is that the year-end financial reporting is prepared by a party outside of the Commission. The outside party does not have the constant contact with ongoing financial transactions.

Recommendation – We recommend that Commission officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances to enable staff to draft the financial statements and accompanying notes to the financial statements internally.

Response – These are very technical issues that the average citizen would not understand. This issue relates to auditor independence issues, and we accept the risk associated with not being able to prepare these documents and apply accounting principles in accordance with generally accepted accounting principles.

Conclusion – Response acknowledged.

II-C-20 Financial Reporting

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the Commission's financial statements.

Condition – Payables and expenditure transactions were not properly recorded on the accounting system.

AREA 15 REGIONAL PLANNING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

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

INTERNAL CONTROL DEFICIENCIES: (Continued)

II-C-20 Financial Reporting (Continued)

Cause – Commission policies do not require, and procedures have not been established to provide for an independent review of the financial statements and transactions to ensure these amounts are materially accurate.

Effect – Lack of Commission policies and procedures resulted in personnel not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the commission's financial statements were necessary.

Recommendation – The Commission should establish procedures to ensure all transactions are properly recorded and reported in the Commission's financial statements.

Response – We will implement this recommendation to the best of our ability.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major program were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-20 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-B-20 Travel Expense – No expenditures of Commission money for travel expenses of spouses of Commission officials or employees were noted.
- IV-C-20 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-D-20 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Commission's investment policy were noted.
- IV-E-20 Restricted Donor Activity – No transactions were noted between the Commission, Commission officials or Commission employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.