

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION

REGION SIX WEST

APPLETON, MINNESOTA

FINANCIAL STATEMENTS

JUNE 30, 2014

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
 REGION SIX WEST
 TABLE OF CONTENTS

	Page
ORGANIZATION	
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
FINANCIAL SECTION	
Basic Financial Statements	
Government-wide Financial Statements	
Statements of Net Position	9
Statement of Activities	10
Fund Financial Statements - Governmental Funds	
Balance Sheet	11
Reconciliation of the Balance Sheet to the Statements of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balances	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	14
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund	15
NOTES TO FINANCIAL STATEMENTS	16
SUPPLEMENTAL INFORMATION	
General Fund – Balance Sheets	29
General Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	30
Revolving Loan Fund - Balance Sheets	34
Revolving Loan Fund - Schedules of Revenues, Expenditures and Changes in Fund Balance	35
Schedule of Funding – State, Federal and Other Sources	36
Schedule of Expenditures of Federal Awards	37
ADDITIONAL REPORTS REQUIRED BY THE SINGLE AUDIT ACT AND GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	38
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	40
OTHER REQUIRED REPORTS AND SCHEDULES	
Schedule of Findings and Questioned Costs	42
Summary Schedule of Prior Year Audit Findings	44
Independent Auditors' Report on Minnesota Legal Compliance	45

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
ORGANIZATION

Commissioners:

Commencement of Service:

Big Stone County:

H. Rusty Dimberg
Brent Olson

April 2004
January 2005

Chippewa County:

Jim Dahlvang
Jim Schmaedeka

January 2001
March 2011

Lac qui Parle County:

Graylen Carlson
Jeff Olson
Mark Bourne

February 2013
February 2010
September 2010

Swift County:

Warren Rau
Gary Hendrickx

May 2003
January 2006

Yellow Medicine County:

Gary Johnson
Scott Peterson

January 1993
February 2009

Special Interest Groups:

Bruce Swigerd
Juanita Lauritsen
Vicki Oakes

March 2005
July 2001
July 2012

School Board

Brett Buer
Kathi Thymian

February 2009
May 2011

Municipalities

Scott Rixe
Debra Lee Fader
Mike Fugleberg

February 2013
March 2013
July 2013

Officers

Chairperson – Gary Hendrickx
Vice Chairperson – Kathi Thymian
Secretary-Treasurer – James Schmaedeka
Executive Director – Dawn Hegland

DANA F. COLE & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Upper Minnesota Valley Regional Development Commission,
Region Six West
Appleton, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 each major fund of the Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota, as of June 30, 2014, and the respective changes in financial position, and the respective budgetary comparison for the General Fund 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 that the management's discussion and analysis, on pages 3 thru 8, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota's basic financial statements. The introductory section, individual major fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The individual major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual major fund financial statements 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.

The introductory section and schedule of funding – State, Federal and Other Sources have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Report on Summarized Comparative Information

We have previously audited the Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota's financial statements of the governmental activities and each major fund as of and for the year ended June 30, 2013, and in our report dated November 6, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2014 on our consideration of Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota'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 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 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 Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota's internal control over financial reporting and compliance.

Montevideo, Minnesota
October 31, 2014

Dana F. Cole & Company, LLP

**UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Upper Minnesota Valley Regional Development Commission (Commission), we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2014. Please read it in conjunction with the Commission's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2014 are as follows:

- In total, net position increased \$120,444, which represents a 6% increase from fiscal year 2013.
- General revenues accounted for \$286,834 in revenue or 27% of all revenues. Program specific revenues in the forms of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$769,177 or 73% of total revenues of \$1,156,011.
- Total assets increased by \$192,796, as current assets increased \$123,570, capital assets decreased by \$21,355, and noncurrent assets increased by \$67,960. Accumulated depreciation decreased by \$22,621 from fiscal year 2013.
- The Commission had \$935,567 in expenses. Of these expenses, \$769,177 was offset by program specific charges for services, grants or contributions.
- Among major funds, the General Fund had \$945,959 in revenues and \$915,157 in expenditures. The General Fund's unassigned fund balance increased \$50,512 from fiscal year 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Statements of Net Position and the Statement of Activities (on pages 9 and 10) provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances. Fund financial statements start on page 11. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Commission's operations in more detail than the government-wide statements by providing information about the Commission's most financially significant funds.

Government-Wide Financial Statements

The government-wide statements report information about the Commission as a whole using accounting methods similar to those used by private-sector companies. The statements 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 statements report the Commission's net position and how they have changed. Net position - the difference between the Commission's assets and liabilities - is one way to measure the Commission's financial health or position.

- Over time, increases or decreases in the Commission's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the Commission you need to consider additional non-financial factors such as changes in the Commission's property tax base.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

In the government-wide financial statements the Commission's activities are shown in one category:

- **Governmental activities** - All of the Commission's services are included here, such as economic development, technical assistance, administration, GIS, grant administration, tourism, transportation, and fiscal agent pass-through. Property taxes and 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:

- Some funds are required by State law.
- The Commission establishes other funds to control and manage money for particular purposes to show that it is properly using certain revenues (such as federal grants).

The Commission has one kind of fund:

- **Governmental funds** - All of 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 funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Commission's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information following the governmental funds statements that explains the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE COMMISSION AS A WHOLE

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Commission, assets exceeded liabilities by \$2,102,631 at June 30, 2014 (See details in table below). The Commission uses capital assets to operate and to provide services; consequently, these assets are not available for future spending. Table 1 provides a summary of the Commission's net position for FY 2014 compared to FY 2013:

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
 REGION SIX WEST
 MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE COMMISSION AS A WHOLE (Continued)

Net Position (Continued)

Table 1 Net Position		June 30, 2014	June 30, 2013
Assets			
Current and other assets		2,341,906	2,150,376
Capital assets (net of accumulated depreciation of \$124,295 and \$146,916 for 2014 and 2013)		46,137	44,871
Total assets		2,388,043	2,195,247
Liabilities			
Current liabilities		267,512	198,260
Long-term liabilities		17,900	14,800
Total liabilities		285,412	213,060
Net position			
Net investment in capital assets		46,137	44,871
Restricted		1,409,267	1,310,609
Unrestricted		647,227	626,707
Total net position		2,102,631	1,982,187

The \$647,227 of unrestricted net position may be used to meet the Commission's ongoing obligations.

The Commission's due from other governments and accounts payable balances have increased compared to prior year due to current year grant projects that were started during the current fiscal year. Notes receivable balance has decreased due to the Commission collecting more money on loans than they loaned out during year.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
 REGION SIX WEST
 MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE COMMISSION AS A WHOLE (Continued)

Changes to Net Position

Governmental activities increased the Commission's net position by \$120,444. Key elements of this net increase are as follows:

Table 2
 Change in Net Position

	2014	2013
Revenues		
Program revenues		
Charges for services	369,483	330,356
Operating grants and contributions	258,984	298,206
Capital grants and contributions	140,710	241,322
General revenues		
Property taxes	273,820	270,575
State aid	6,327	6,488
Other general revenue	4,239	1,276
Investment earnings	3,524	2,646
Gain (loss) on sale of assets	(1,076)	6,000
Total revenues	1,056,011	1,156,869
Expenses		
Administration	202,201	137,739
Economic development	234,834	286,055
Technical assistance	106,618	122,533
GIS	379	1,179
Grant administration	71,302	66,961
Tourism	78,807	73,067
Transportation	87,808	63,601
Fiscal agent pass-through	140,710	241,322
Unallocated depreciation	12,908	10,721
Total expenses	935,567	1,003,178
Change in net position	120,444	153,691
Net position, beginning	1,982,187	1,828,496
Net position, ending	2,102,631	1,982,187

The significant changes from fiscal year 2013, is fiscal agent pass-through due to more projects being completed in the prior year and projects getting started in the current year.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
 REGION SIX WEST
 MANAGEMENT'S DISCUSSION AND ANALYSIS

**FINANCIAL ANALYSIS OF THE COMMISSION'S FUNDS
 (FUND FINANCIAL STATEMENTS)**

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 a combined fund balance of \$2,152,005. This was up from \$2,011,827 at the end of the prior year, an increase of \$140,178. Revenues of the Commission's governmental funds totaled \$1,097,415 while total expenditures were \$957,237. A summary of the revenues and expenditures reported on the governmental fund financial statements appears in the table below:

Revenues and Expenditures - Governmental Funds - 2014

	<u>Revenues</u>	<u>Expenditures</u>	<u>Increase/ (Decrease)</u>	<u>Fund Balance 06/30/14</u>
General fund	945,959	915,157	30,802	681,667
Revolving loan fund	151,456	42,080	109,376	1,470,338
Totals	<u>1,097,415</u>	<u>957,237</u>	<u>140,178</u>	<u>2,152,005</u>

Revenues and Expenditures - Governmental Funds - 2013

	<u>Revenues</u>	<u>Expenditures</u>	<u>Increase/ (Decrease)</u>	<u>Fund Balance 06/30/13</u>
General fund	1,033,748	1,012,289	21,459	650,865
Revolving loan fund	154,392	40,438	113,954	1,360,962
Totals	<u>1,188,140</u>	<u>1,052,727</u>	<u>135,413</u>	<u>2,011,827</u>

As of the end of the current fiscal year, the Commission's general fund reported an ending fund balance of \$681,667, an increase of \$30,802. The fund balance is currently classified as follows:

Nonspendable	12,139
Restricted	6,790
Committed	42,861
Assigned	148,040
Unassigned	<u>471,837</u>
Total general fund	<u>681,667</u>

The revolving loan fund balance is all restricted.

BUDGETARY HIGHLIGHTS

The following is a review of significant differences between budget and actual.

- The major variation in the budget occurred in the grant funds. These are pass-through funds which do not affect the Commission's fund balances.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Commission's investment in capital assets for its activities as of June 30, 2014 was \$46,137 (net of accumulated depreciation). This investment in capital assets included: equipment, furniture and fixtures, and vehicles. Additional information on the Commission's capital assets can be found in the Note 9 to the financial statements.

Long-Term Debt

At year end the Commission had \$17,900 of long-term debt. This consisted of a compensated absence obligation. (More detailed information about long-term debt can be found in Note 10 to the financial statements.)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Pursuant to the Regional Development Act of Minnesota, M.S. 462.396 Subdivision 2, the Commission's budget includes a tax levy. This levy is stable and set by the Commission at its annual meetings. If needed, the levy can be increased by 103 percent of the amount levied in the previous year.

The remaining financial forecasts are based on continued regional contracting and federal and state grantor agencies continuing to provide funding.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designated to provide a general overview of the Commission's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Arlene Tilbury, Financial Officer, Upper Minnesota Valley Regional Development Commission, 323 West Schlieman Avenue, Appleton, Minnesota 56208.

FINANCIAL SECTION

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION REGION SIX WEST
 STATEMENTS OF NET POSITION
 JUNE 30, 2014 AND 2013

	Governmental Activities	
	2014	2013
ASSETS		
Cash	422,366	522,731
Certificates of deposit	300,744	150,000
Interest receivable	4,243	3,614
Taxes receivable	2,389	2,389
Accounts receivable	4,841	
Due from other governmental units	141,253	79,466
Prepaid expenses	12,139	6,205
Total current assets	887,975	764,405
NON CURRENT ASSETS		
Restricted cash	334,378	205,627
Notes receivable	1,199,553	1,242,444
Allowance for doubtful notes receivable	(80,000)	(62,100)
Total non current assets	1,453,931	1,385,971
CAPITAL ASSETS		
Equipment	170,432	191,787
Less: accumulated depreciation	(124,295)	(146,916)
Total capital assets, net of depreciation	46,137	44,871
TOTAL ASSETS	2,388,043	2,195,247
LIABILITIES		
Accounts and contracts payable	37,583	2,362
Accrued liabilities	12,794	10,822
Deferred revenue	217,135	185,076
Total current liabilities	267,512	198,260
NONCURRENT LIABILITIES		
Compensated absences payable	17,900	14,800
Total noncurrent liabilities	17,900	14,800
TOTAL LIABILITIES	285,412	213,060
NET POSITION		
Net investment in capital assets	46,137	44,871
Restricted for:		
Revolving loans	1,390,338	1,298,862
Scenic byway	6,790	5,542
Other projects	12,139	6,205
Unrestricted	647,227	626,707
TOTAL NET POSITION	2,102,631	1,982,187

See accompanying notes to financial statements.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION REGION SIX WEST
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

Functions/Programs	2014				2013	
	Expenses	Program Revenues		Governmental	Governmental	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Activities	Activities
Governmental activities				Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position	
Administration	202,201	22,233		(179,968)	(104,999)	
Economic development	234,834	199,122	101,662	65,950	19,516	
Technical assistance	106,618	57,768	41,630	(7,220)	(10,369)	
GIS	379			(379)	(1,179)	
Grant administration	71,302	63,837		(7,465)	(9,812)	
Tourism	78,807	26,523	40,692	(11,592)	(2,129)	
Transportation	87,808		75,000	(12,808)	(13,601)	
Fiscal agent pass-through	140,710			140,710		
Unallocated depreciation	12,908			(12,908)	(10,721)	
Total governmental activities	935,567	369,483	258,984	140,710	(166,390)	(133,294)
General revenues						
Property taxes, levied for general purposes				273,820	270,575	
State aid				6,327	6,488	
Other general revenue				4,239	1,276	
Investment earnings				3,524	2,646	
Gain (loss) on sale of assets				(1,076)	6,000	
Total general revenues				286,834	286,985	
CHANGE IN NET POSITION				120,444	153,691	
NET POSITION, beginning of year				1,982,187	1,828,496	
NET POSITION, end of year				2,102,631	1,982,187	

See accompanying notes to financial statements.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014
(WITH PARTIAL COMPARATIVE INFORMATION AS OF JUNE 30, 2013)

	General	RLF	Total Governmental Funds	
			2014	2013
ASSETS				
ASSETS				
Cash	422,366		422,366	522,731
Restricted cash	6,790	327,588	334,378	205,627
Certificates of deposit	300,744		300,744	150,000
Interest receivable	629	3,614	4,243	3,614
Taxes receivable	2,389		2,389	2,389
Accounts receivable	4,841		4,841	
Due from other fund	1,579		1,579	5,181
Due from other governments	141,253		141,253	79,466
Prepaid expenses	12,139		12,139	6,205
Loans receivable		1,199,553	1,199,553	1,242,444
	<u>892,730</u>	<u>1,530,755</u>	<u>2,423,485</u>	<u>2,217,657</u>
TOTAL ASSETS	892,730	1,530,755	2,423,485	2,217,657
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts and Contracts Payable	37,583		37,583	2,362
Deferred Revenue	160,686	58,838	219,524	187,465
Due to Other Fund		1,579	1,579	5,181
Accrued Liabilities	12,794		12,794	10,822
Total liabilities	<u>211,063</u>	<u>60,417</u>	<u>271,480</u>	<u>205,830</u>
 FUND BALANCES				
Nonspendable	12,139		12,139	6,205
Restricted	6,790	1,470,338	1,477,128	1,366,504
Committed	42,861		42,861	64,943
Assigned	148,040		148,040	152,850
Unassigned	471,837		471,837	421,325
Total Fund Balances	<u>681,667</u>	<u>1,470,338</u>	<u>2,152,005</u>	<u>2,011,827</u>
TOTAL LIABILITIES AND FUND BALANCES	892,730	1,530,755	2,423,485	2,217,657

See accompanying notes to financial statements.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
 REGION SIX WEST
 RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENTS OF NET POSITION
 GOVERNMENTAL FUNDS
 JUNE 30, 2014 AND 2013

	2014	2013
Total fund balances - governmental funds	2,152,005	2,011,827
Amounts reported for governmental activities in the statement of net position are different because:		
Allowance for doubtful notes receivable is not required and therefore not reported as a contra asset in governmental funds	(80,000)	(62,100)
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets	170,432	191,787
Less: accumulated depreciation	(124,295)	(146,916)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Compensated absences	(17,900)	(14,800)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	2,389	2,389
Total net position - governmental activities	2,102,631	1,982,187

See accompanying notes to financial statements.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

	General	RLF	Total Governmental Funds	
			2014	2013
REVENUES				
Local property tax levies	273,820		273,820	270,575
Other local and county revenues	416,523	21,162	437,685	562,916
Revenues from state sources	99,365		99,365	65,838
Revenues from federal sources	156,251	80,000	236,251	234,419
Revolving loan fund revenue		10,006	10,006	17,121
Administrative revenue		40,288	40,288	37,271
Total revenues	<u>945,959</u>	<u>151,456</u>	<u>1,097,415</u>	<u>1,188,140</u>
EXPENDITURES				
Current				
Administration	197,795		197,795	141,972
Economic development	215,142	42,080	257,222	317,659
Technical assistance	106,618		106,618	122,500
Grant administration	71,302		71,302	66,961
Tourism	78,807		78,807	72,721
Transportation	87,808		87,808	63,947
Fiscal agent pass-through	140,710		140,710	241,322
Capital outlay	16,975		16,975	25,645
Total expenditures	<u>915,157</u>	<u>42,080</u>	<u>957,237</u>	<u>1,052,727</u>
REVENUES OVER EXPENDITURES	30,802	109,376	140,178	135,413
FUND BALANCES, beginning of year	<u>650,865</u>	<u>1,360,962</u>	<u>2,011,827</u>	<u>1,876,414</u>
FUND BALANCES, end of year	<u>681,667</u>	<u>1,470,338</u>	<u>2,152,005</u>	<u>2,011,827</u>

See accompanying notes to financial statements.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
Total net change in fund balances - governmental funds	140,178	135,413
Amounts reported for governmental activities in the statement of activities are different because:		
Bad debt expense was reported in the governmental funds at the gross amount. However, in the statement of activities, the costs were adjusted for the (increase) reduction in the allowance for doubtful accounts.		
	(17,900)	(5,700)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital outlays	15,669	24,878
Depreciation expense	(13,287)	(11,900)
Gain (loss) on sale of equipment	(1,116)	6,000
Compensated absence expense reported in the statement of net activities does not require the use of current financial resources and therefore are not reported as expenditures in governmental funds until actually due.		
	(3,100)	5,000
Change in net position - governmental funds	120,444	153,691

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
 REGION SIX WEST
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual
REVENUES			
Local property tax levies	266,700	269,000	273,820
Other local and county revenues	247,548	268,483	416,523
Revenues from state sources	99,350	93,550	99,365
Revenues from federal sources	231,828	166,630	156,251
	<u>845,426</u>	<u>797,663</u>	<u>945,959</u>
EXPENDITURES			
Current			
Administration	216,540	263,275	197,795
Economic development	246,566	193,628	215,142
Technical assistance	99,970	99,782	106,618
Grant administration	119,708	78,300	71,302
Tourism	74,000	74,000	78,807
Transportation	88,236	88,236	87,808
Fiscal agent pass through			140,710
Capital outlay			16,975
	<u>845,020</u>	<u>797,221</u>	<u>915,157</u>
REVENUES OVER EXPENDITURES	<u>406</u>	<u>442</u>	30,802
FUND BALANCE, beginning of year			<u>650,865</u>
FUND BALANCE, end of year			<u>681,667</u>

See accompanying notes to financial statements.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Upper Minnesota Valley Regional Development Commission is a planning agency for a five-county area in West Central Minnesota.

The Commission was established pursuant to Minn. Stat 462.381-462.398. The purpose of the Commission is to facilitate intergovernmental cooperation and ensure orderly and harmonious coordination of state, federal and local comprehensive planning and development programs for the solution of economic, social, physical, and intergovernmental problems of the state and its citizens.

The financial statements of Upper Minnesota Valley Regional Development Commission have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below:

A. REPORTING ENTITY

The Commission's policy is to include in the financial statements all funds, departments, agencies, boards and other component units for which the Commission is financially accountable. A component unit is a legally separate organization in which the primary government has appointed a majority of the governing body and either it is able to impose its will on that organization or there is potential for the organization to provide specific financial benefits to, or to impose specific burdens on, the primary government. It was determined that the Commission has no component units that require inclusion in their financial statements.

B. BASIC FINANCIAL STATEMENT PRESENTATION

The Government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the Commission.

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

The Commission applies restricted resources first when an expense is incurred for the purpose for which both restricted and unrestricted net position is available. Depreciation expense which can be specifically identified by function is included in the direct expenses of each function. Depreciation expense which cannot be specifically identified by function is shown as unallocated depreciation on the statement of activities.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIC FINANCIAL STATEMENT PRESENTATION (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Separate Fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Description of Funds

The Commission uses funds to report on its financial position and results of operations. Each fund is accounted for as an independent entity. A description of the funds included in this report is as follows:

Major Governmental Funds

General Fund - The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

Revolving Loan Fund - accounts for the revenues and expenditures related to the Economic Development Administration Revolving Loan Fund grants.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied is determined by its 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. Property taxes are generally recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, transactions are recorded in the following manner:

1. Revenue Recognition - Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and U.S. generally accepted accounting principles. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within one year.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

2. Recording of Expenditures - Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used.

The Commission reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Commission before it has a legal claim to them, as when grant monies are received prior to incurring the qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the Commission has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D. BUDGETING

The budget for the General Fund is prepared on the same basis of accounting as the financial statements. Each June, the Board adopts an annual budget for the following fiscal year. No budget is prepared for the Revolving Loan Fund. The budget was amended during the year.

E. USE OF ESTIMATES

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

F. CASH AND INVESTMENTS

Cash and temporary investments represent the cash balance which is used for the general operations of the organization, where a restricted cash account was not required to be established.

In addition, during FY14, the Commission invested in two 12 month certificate of deposits, whose cost approximates market.

G. RESTRICTED ASSETS

Special revenue fund restricted cash represents principal repayments and interest payments from loans created with grant funds, and loan origination fees. This cash can only be used for revolving loans and administrative expenses related to administering this loan program. General Fund restricted cash represents grant monies received which will be used for expenditures related to the specific grant program.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. RECEIVABLES

Accounts receivable have been adjusted for all known uncollectible accounts. No allowance for bad debts is considered necessary at year end. The only receivables not expected to be collected within one year are current property taxes receivables.

I. CAPITAL ASSETS

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Commission maintains a threshold level of \$500 for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the Government-wide financial statement, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for the purpose Commission's, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 5 to 20 years for equipment.

The Commission does not possess any material amounts of infrastructure capital assets.

J. COMPENSATED ABSENCES

Employees' vacation benefits are recognized in the period earned. Employees are granted vacation days at various rates and can accumulate to a maximum of 192 hours. The liability for unused vacation time is recorded as long-term debt. Sick leave is earned at a set rate of 4.33 hours per pay period with a maximum accumulation of 100 days. Sick leave costs are recognized as expenditures when leave time is used. Unused sick leave is paid out upon termination, based on the number of years employed, with varying percentages.

K. PROPERTY TAXES

Property tax levies are set by the County Auditor in December of each year for collection from taxpayers in May and October of the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on property on the following January 1. The county generally remits taxes to the Commission at periodic intervals as they are collected. A portion of property taxes levied is paid to the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. PROPERTY TAXES (Continued)

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred in the fund based financial statements because it is not known to be available to finance the operations of the Commission in the current year. No allowance for uncollectible taxes is considered necessary.

L. LOANS RECEIVABLE/ALLOWANCE FOR UNCOLLECTIBLE LOANS

An allowance for uncollectible loans is recorded based on a credit risk, which results in an estimated allowance being recorded on all loans. When a loan does become uncollectible it will be charged directly to the allowance in the year of default. An allowance of \$80,000 has been recorded at June 30, 2014.

M. FUND EQUITY

The Organization utilizes GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that are in nonspendable form (such as inventory and prepaid items) or are required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation

Committed fund balance – amounts constrained by the Organization itself, using its highest level of decision-making authority (i.e., Board of Commissioners). To be reported as committed, amounts cannot be used for any other purpose unless the Organization takes the same highest level action to remove or change the constraint.

Assigned fund balance – amounts the Organization intends to use for a specific purpose. Intent can be expressed by the Board of Commissioners or by an official or body to which the Board delegates the authority.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Organization considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Organization considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
 REGION SIX WEST
 NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. NET POSITION

Net position represents the difference between assets and liabilities in the Government-wide financial statements. Net investment in capital assets, consists of capital assets, net of accumulation depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the Government-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

O. RECLASSIFICATION

Certain amounts from the prior year have been reclassified for comparative purposes with no effect on net income.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL FUNDS

Fund	Final Budget	Actual	Variance
General	797,221	915,157	(117,936)

The majority of this variance, \$140,710, is a result of fiscal agent pass-through dollars, for which no expenditure budget is set. These expenditures are reimbursed in full with grant dollars.

NOTE 3. CASH AND INVESTMENTS

The Commission follows the provisions of GASB Statement 40, *Deposit and Investment Risk Disclosures*. This standard establishes requirements for disclosures regarding credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

Deposits

In accordance with Minnesota Statutes, the Commission maintains deposits at those depository banks authorized by the Board all of which are members of the Federal Reserve System. Minnesota Statutes require that all Commission deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

Custodial credit risk is the risk that, in the event of a bank failure, the Commission's deposits might not be recovered. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the Commission's treasurer or in a financial institution other than that furnishing the collateral. As of June 30, 2014, the amount of deposits not covered was \$50,744.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
NOTES TO FINANCIAL STATEMENTS

NOTE 4. DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2014 are summarized as follows:

	General
Due from federal government	27,047
Due from state government	12,824
Due from local governments	101,382
Total	141,253

NOTE 5. LOANS RECEIVABLE

The organization received grant funds from the U.S. Department of Commerce and various local contributors for the purpose of lending. These funds are used to assist economic development by providing money for working capital, improvements and additions to capital assets. These loans vary as to the terms for repayment and the interest rate charged. As of June 30, 2014, there were 38 loans outstanding totaling \$1,199,553. Loans receivable as of June 30, 2014 are as follows:

	Maturity Date	Repayment Terms	Interest Rate	Balance 06/30/14
Al's Mercantile	01/15/16	531/mo.	5.00%	35,625
Appleton Hardware, Inc.	07/01/16	684/mo.	4.00%	16,485
Appleton Meat Center	07/15/19	319/mo.	4.00%	19,622
Appleton Power Equipment	06/01/20	253/mo.	4.00%	16,202
Books by Kelly	08/15/15	122/mo.	5.00%	12,118
C & L Powder Coating	04/01/23	553/mo.	2.90%	54,872
C.C. Diamond Products, LLC	05/01/17	1,012/mo.	4.00%	82,582
Clarkfield Family Foods	07/01/19	284/mo.	4.00%	16,424
Conroy Electric	02/15/22	466/mo.	4.00%	37,075
Friendship Café	10/10/19	102/mo.	4.00%	5,851
Granite Falls Dairy Queen	05/31/22	1,012/mo.	4.00%	82,415
Gordons/Ortonville Hardware Hank	07/01/15	905/mo.	4.00%	11,476
Handeland Chiropractic, LLC	02/15/16	350/mo.	5.00%	23,989
I Fit	08/01/17	68/mo.	4.00%	2,442
Jack Anderson	03/01/18	1,792/mo.	2.90%	76,341
Jager Building	01/15/22	628/mo.	4.00%	50,225
JC & Sons Hardware	03/01/20	709/mo.	4.00%	43,648
Jimmy's Pizza	07/01/20	132/mo.	4.00%	8,532
Kaercher Publications, Inc.	06/01/22	679/mo.	4.50%	54,879
Kay's Processing, LLC	03/01/18	1,792/mo.	2.90%	76,610
Lamecker's General Store	05/01/19	461/mo.	4.00%	24,723
Madison Meats	09/15/15	686/mo.	4.00%	10,120
Merritt Construction	08/01/22	104/mo.	4.50%	8,486
Northern Geo	04/15/21	1,519/mo.	4.00%	148,704
Northern Grain Construction	07/15/18	1,792/mo.	2.90%	83,055
Porter Elevator	08/15/21	759/mo.	4.00%	56,749
Private Industry Council	01/01/19	396/mo.	4.00%	24,180

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
 REGION SIX WEST
 NOTES TO FINANCIAL STATEMENTS

NOTE 5. LOANS RECEIVABLE (Continued)

R&R Outdoors	09/15/20	111/mo.	4.00%	10,348
SEWearable Designs, Inc.	11/01/19	361/mo.	4.50%	21,047
SpecSys, Inc.	01/01/19	507/mo.	4.00%	29,239
Swift Falls Bar & Grill	10/10/19	228/mo.	4.00%	13,147
The Corner Stop	06/15/16	318/mo.	5.00%	7,206
The Sawmill	04/15/22	204/mo.	4.00%	30,887
Woodlake Lumber/Clarkfield HH	03/19/15	548/mo.	4.00%	4,249
Total				<u><u>1,199,553</u></u>

Upon repayment this money will be available for additional loans. The Commission does not require collateral on all of the above loans and the adequacy of collateral cannot be readily determined. This creates potential risk to the Commission that the above amounts may not be fully collectible. The Commission has reserved a portion of their special revenue fund balance for these loans.

NOTE 6. DEFERRED REVENUE

The amounts of Deferred Revenue at June 30, 2014 are summarized as follows:

	County Contribution	Grants	Delinquent Taxes	Total
General	<u><u> </u></u>	<u><u>158,297</u></u>	<u><u>2,389</u></u>	<u><u>160,686</u></u>
RLF	<u><u>58,838</u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u>58,838</u></u>

NOTE 7. LEASE OBLIGATIONS

During fiscal year 2013, the Commission entered into a five year leasing arrangement for a copier from Xerox Corporation. The terms of the lease call for monthly payments of \$247. Lease expense related to the copier was \$2,964 in fiscal year 2014. Future minimum operating lease commitments are as follows:

Year ending June 30	
2015	2,964
2016	2,964
2017	2,964
2018	<u>1,482</u>
Total	<u><u>10,374</u></u>

In addition, the Commission leases office space from the City of Appleton. The long-term lease ran through June 30, 2000. The Commission is currently on a month-to-month lease with the City, and lease payments to the City totaled \$12,200 for the year ended June 30, 2014.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
 REGION SIX WEST
 NOTES TO FINANCIAL STATEMENTS

NOTE 8. INDIRECT COST ALLOCATION

Indirect costs are expenditures such as rents, utilities, insurance, bonds, periodical and newspaper subscriptions, administrative salaries, and other common expenditures that result in a benefit to all programs. Indirect costs are allocated to each program based on the program's direct hours. Total indirect costs for the year ending June 30, 2014 were \$252,841.

NOTE 9. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 is as follows:

	<u>Equipment</u>
Cost at June 30, 2013	191,787
Additions	15,669
Disposals	(37,024)
Cost at June 30, 2014	170,432

Accumulated depreciation activity for the year ended June 30, 2014 is as follows:

	<u>Equipment</u>
Accumulated depreciation at June 30, 2013	146,916
Additions	13,287
Disposals	(35,908)
Accumulated depreciation at June 30, 2014	124,295
Capital assets net of accumulated depreciation at June 30, 2014	46,137

Depreciation expense of \$13,287 for the year ended June 30, 2014 was charged to the following governmental functions:

GIS	379
Unallocated depreciation	12,908
Total depreciation expense	13,287

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
 REGION SIX WEST
 NOTES TO FINANCIAL STATEMENTS

NOTE 10. LONG-TERM DEBT

Compensated Absences

The Commission compensates employees upon termination of employment for unused vacation leave and for severance. The liabilities for these compensated absences have been recorded in the Government-wide financial statements. Compensated absences are paid by the General Fund. Changes in Long-Term Liabilities are as follows:

	<u>June 30, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2014</u>
Long-term liabilities				
Compensated absences	14,800	30,465	27,365	17,900
	<u>14,800</u>	<u>30,465</u>	<u>27,365</u>	<u>17,900</u>

NOTE 11. FUND BALANCES

The details of the Organization's fund balances are as follows:

	<u>General Fund</u>	<u>Revolving Loan Fund</u>	<u>Total</u>
Nonspendable:			
Prepaid items	12,139		12,139
Restricted:			
Revolving Loan Fund		1,470,338	1,470,338
Scenic Byway Savings	6,790		6,790
Committed:			
Medical Reimbursement Allocation	12,000		12,000
Compensated Absences	20,861		20,861
Unemployment	10,000		10,000
Assigned			
Agency Auto	31,961		31,961
Equipment Replacement	16,079		16,079
Between Tax Settlements	100,000		100,000
Unassigned	<u>471,837</u>		<u>471,837</u>
Total Fund Balances	<u>681,667</u>	<u>1,470,338</u>	<u>2,152,005</u>

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
NOTES TO FINANCIAL STATEMENTS

NOTE 12. RISK MANAGEMENT - CLAIMS AND JUDGEMENTS

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Commission carries commercial insurance.

The Commission's property and liability premiums, unemployment claims and insurance coverage for vehicles are paid by the General Fund. Workers compensation premiums are paid by the General Fund. The Commission purchases commercial insurance for property and liability, transferring the risk of loss to the insurance carrier. The Commission participates in a risk pool for workers compensation insurance. The pool in turn contracts with an insurance carrier, thereby transferring the risk from the pool members to the insurance carrier. The workers compensation policy is retrospectively rated in that the initial premium is adjusted based on the actual experience during coverage period of the group of entities that participate in the pool. As of June 30, 2014 there are no claims, litigations, or judgments which would materially affect the financial statements of the Commission.

The Commission handles unemployment costs through a self-insurance plan. The Commission retains the risks associated with unemployment claims. An amount has been committed in the General Fund for the purpose of paying these costs. Historically there are few unemployment claims against the Commission, therefore no liability estimate has been recorded in the financial statements. At June 30, 2014, there were no outstanding claims.

NOTE 13. COMMITMENTS AND CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Commission expects such amounts, if any, to be immaterial.

The Commission entered into an agreement with the U.S. Department of Commerce, Economic Development Administration (EDA) to provide funds for the purpose of originating economic development loans. These funds have been recorded as an asset on the Revolving Loan Fund's balance sheet. If the Commission decided not to participate in the loan program in the future, or if EDA terminated the agreement, a portion of these funds would have to be repaid to EDA.

During fiscal year 2014, the Commission approved but has not yet disbursed loans to the following:

- Bluegrass Protein, Inc.	\$200,000
- West Central Powder Coating, Inc.	\$100,000

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
NOTES TO FINANCIAL STATEMENTS

NOTE 14. PENSION PLANS

Substantially all employees of the Commission are required by State law to belong to the pension plan administered by the Public Employees Retirement Association (PERA), which is administered on a statewide basis. Disclosure relating to this plan follows:

A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

1. Plan Description

All full-time and certain part-time employees of the Commission are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after five years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For all GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
NOTES TO FINANCIAL STATEMENTS

NOTE 14. PENSION PLANS (Continued)

A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

1. Plan Description (Continued)

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERP. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

2. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The Commission makes annual contributions to the pension plans equal to the amount required by state statutes. GERP Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2013. In 2013, the Commission was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members and 7.25% for Coordinated Plan members. The Commission's contributions to the Public Employees Retirement Fund for the years ended June 30, 2014, 2013, and 2012 were \$29,777, \$30,284, and \$28,541, respectively. The Commission's contributions were equal to the contractually required contributions for each year as set by State Statute.

NOTE 15. SUBSEQUENT EVENT

Subsequent to year end, the Commission ordered a van for a net cost of approximately \$21,000 after trade in.

SUPPLEMENTAL INFORMATION

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
GENERAL FUND
BALANCE SHEETS
JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
ASSETS		
Cash	422,366	522,731
Restricted cash	6,790	5,542
Certificates of deposit	300,744	150,000
Taxes receivable - delinquent	2,389	2,389
Accounts receivable	4,841	
Interest receivable	629	
Due from other fund	1,579	5,181
Due from other governments	141,253	79,466
Prepaid expenses	12,139	6,205
	<u>892,730</u>	<u>771,514</u>
TOTAL ASSETS		
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts and contracts payable	37,583	2,362
Deferred revenue - delinquent taxes	2,389	2,389
Deferred revenue - grants	158,297	105,076
Accrued liabilities	12,794	10,822
	<u>211,063</u>	<u>120,649</u>
TOTAL LIABILITIES		
FUND BALANCES		
Nonspendable	12,139	6,205
Restricted	6,790	5,542
Committed	42,861	64,943
Assigned	148,040	152,850
Unassigned	471,837	421,325
	<u>681,667</u>	<u>650,865</u>
Total fund balances		
	<u>892,730</u>	<u>771,514</u>
TOTAL LIABILITIES AND FUND BALANCES		

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
-BUDGET AND ACTUAL-
YEAR ENDED JUNE 30, 2014
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

	2014		2013
	Final Budget	Actual	Actual
REVENUES			
LOCAL PROPERTY TAX LEVIES			
Local levies	269,000	273,820	270,575
Total local property tax levies	<u>269,000</u>	<u>273,820</u>	<u>270,575</u>
OTHER LOCAL AND COUNTY REVENUES			
Reimbursement from WMRLF	34,000	40,288	37,271
Revenue from cities/counties/hedge hog	76,483	47,826	72,559
Agency auto/equipment replacement		22,093	32,740
Regional tourism/byway activities	128,700	110,999	100,246
Local pass-thru	23,000	190,322	296,069
Blandin Alltel projects			90
Interest revenue	3,800	3,533	2,665
Miscellaneous revenue	2,500	1,462	1,276
Total other local and county revenues	<u>268,483</u>	<u>416,523</u>	<u>542,916</u>
REVENUES FROM STATE SOURCES			
Ag/Homestead credits	5,000	4,780	4,941
PERA aid		1,547	1,547
MNDOT - general	75,000	75,000	50,000
Legacy grant			7,000
Clean Energy Resource Team		4,018	
Southwest Minnesota Arts and Humanity Council	6,250	6,465	
Regional tourism/byway activities	7,300	7,555	2,350
Total revenues from state sources	<u>93,550</u>	<u>99,365</u>	<u>65,838</u>
REVENUES FROM FEDERAL SOURCES			
EDA planning and outmigration grants	64,628	64,628	64,628
Blandin			14,876
Scenic byway corridor	28,200	27,715	25,989
Safe routes to school	49,100	37,612	48,926
Nature conservancy	4,702	4,702	
Hazard mitigation	20,000	21,594	
Total revenues from federal sources	<u>166,630</u>	<u>156,251</u>	<u>154,419</u>
TOTAL REVENUES	<u>797,663</u>	<u>945,959</u>	<u>1,033,748</u>
EXPENDITURES			
ADMINISTRATION			
Commission/administration			
Salaries and benefits	105,639	81,923	57,338
Other services and charges	109,886	68,249	55,151
Agency auto		5,086	6,703
Indirect costs	47,750	44,284	29,356
Contract rate		(1,747)	(6,576)
Capital expenditures		16,975	25,645
Total commission/administration	<u>263,275</u>	<u>214,770</u>	<u>167,617</u>
Total administration	<u>263,275</u>	<u>214,770</u>	<u>167,617</u>

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
 REGION SIX WEST
 GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 -BUDGET AND ACTUAL-
 YEAR ENDED JUNE 30, 2014
 (WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

	2014		2013
	Final Budget	Actual	Actual
EXPENDITURES (CONTINUED)			
ECONOMIC DEVELOPMENT			
EDA - planning continuation grant			
Salaries and benefits	35,000	29,902	79,569
Other services and charges	4,628	4,796	9,459
Indirect costs	25,000	18,575	52,917
Total EDA - planning continuation grant	<u>64,628</u>	<u>53,273</u>	<u>141,945</u>
 Prairie Waters			
Salaries and benefits	36,000	42,825	41,363
Other services and charges	25,000	26,988	20,610
Indirect costs	34,000	38,749	36,032
Total Prairie Waters	<u>95,000</u>	<u>108,562</u>	<u>98,005</u>
 Revolving Loan Fund			
Salaries and benefits	18,000	29,181	20,156
Other services and charges	2,400	2,209	3,045
Indirect costs	13,600	21,917	14,070
Total Revolving Loan Fund	<u>34,000</u>	<u>53,307</u>	<u>37,271</u>
 Total economic development	<u>193,628</u>	<u>215,142</u>	<u>277,221</u>
 TECHNICAL ASSISTANCE			
Hazard mitigation plans			
Salaries and benefits	10,800	13,985	
Other services and charges	200	200	
Indirect costs	9,000	12,333	
Total hazard mitigation plans	<u>20,000</u>	<u>26,518</u>	
 Miscellaneous community contracts			
Salaries and benefits	13,500	18,361	26,890
Other services and charges	1,000	919	1,928
Indirect costs	9,820	13,719	19,141
Contract rate	1,660	159	3,509
Total miscellaneous community contracts	<u>25,980</u>	<u>33,158</u>	<u>51,468</u>
 Safe routes to school			
Salaries and benefits	24,000	17,894	23,862
Other services and charges	4,000	2,284	467
Indirect costs	21,100	16,547	21,530
Contract rate		1,314	3,067
Total safe routes to school	<u>49,100</u>	<u>38,039</u>	<u>48,926</u>
 Clean energy resource team			
Salaries and benefits		1,929	
Other services and charges		336	
Indirect costs		1,914	
Total clean energy resource team		<u>4,179</u>	
 Nature conservancy			
Salaries and benefits	2,802	2,824	
Indirect costs	1,900	1,900	
Total nature conservancy	<u>4,702</u>	<u>4,724</u>	

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
-BUDGET AND ACTUAL-
YEAR ENDED JUNE 30, 2014
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

	2014		2013
	Final Budget	Actual	Actual
EXPENDITURES (CONTINUED)			
TECHNICAL ASSISTANCE (CONTINUED)			
Blandin administration, marketing & extension			
Salaries and benefits			7,859
Other services and charges			9,775
Indirect costs			4,472
Total Blandin administration, marketing & extension			<u>22,106</u>
Total technical assistance	<u>99,782</u>	<u>106,618</u>	<u>122,500</u>
GRANT ADMINISTRATION			
EDA/DNR grant administration			
Salaries and benefits	31,900	28,368	26,417
Other services and charges	250	156	509
Indirect costs	22,850	18,382	16,612
Total EDA/DNR grant administration	<u>55,000</u>	<u>46,906</u>	<u>43,538</u>
SCDP grant administration			
Salaries and benefits	12,900	13,554	13,474
Other services and charges	200	284	166
Contract Rate		274	
Indirect costs	10,200	10,284	9,783
Total SCDP grant administration	<u>23,300</u>	<u>24,396</u>	<u>23,423</u>
Total grant administration	<u>78,300</u>	<u>71,302</u>	<u>66,961</u>
TOURISM			
Art crawl			
Salaries and benefits	7,200	9,069	8,574
Other services and charges	32,000	21,618	20,169
Indirect costs	6,800	6,741	6,556
Total art crawl	<u>46,000</u>	<u>37,428</u>	<u>35,299</u>
Scenic byway corridor/forecast public arts grant/byway calender			
Salaries and benefits	12,000	13,537	16,562
Other services and charges	8,000	16,301	7,437
Indirect costs	8,000	9,141	11,274
Total scenic byway corridor/forecast public arts grant/byway calender	<u>28,000</u>	<u>38,979</u>	<u>35,273</u>
Scenic byway local savings			
Other services and charges		2,400	2,149
Total scenic byway local savings		<u>2,400</u>	<u>2,149</u>
Total tourism	<u>74,000</u>	<u>78,807</u>	<u>72,721</u>
TRANSPORTATION			
Transportation - MNDOT/local			
Salaries and benefits	51,541	43,584	31,459
Other services and charges	4,771	5,868	4,182
Indirect costs	31,924	38,356	28,306
Total MN Department of Transportation - local	<u>88,236</u>	<u>87,808</u>	<u>63,947</u>
Total transportation	<u>88,236</u>	<u>87,808</u>	<u>63,947</u>

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
-BUDGET AND ACTUAL-
YEAR ENDED JUNE 30, 2014
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

	2014		2013
	Final Budget	Actual	Actual
EXPENDITURES (CONTINUED)			
FISCAL AGENT PASS-THROUGH			
City of Appleton - SCDP grant			
Other services and charges			120,071
Total City of Appleton - SCDP Grant			120,071
City of Benson - SCDP grant			
Other services and charges		115,869	111,289
Total City of Benson - SCDP grant		115,869	111,289
City of Browns Valley - HUD grant			
Other services and charges			9,962
Total City of Browns Valley - HUD grant			9,962
City of Ortonville - SCDP grant			
Other services and charges		24,841	
Total City of Ortonville - SCDP grant		24,841	
Total fiscal agent pass-through		140,710	241,322
TOTAL EXPENDITURES	797,221	915,157	1,012,289
EXCESS REVENUES OVER (UNDER) EXPENDITURES	442	30,802	21,459
FUND BALANCE, beginning of year	650,865	650,865	629,406
FUND BALANCE, end of year	651,307	681,667	650,865

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
 REGION SIX WEST
 REVOLVING LOAN FUND
 BALANCE SHEETS
 JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
ASSETS		
Restricted cash	327,588	200,085
Loan interest receivable	3,614	3,614
Loans receivable	<u>1,199,553</u>	<u>1,242,444</u>
 TOTAL ASSETS	 <u><u>1,530,755</u></u>	 <u><u>1,446,143</u></u>
 LIABILITIES AND FUND BALANCE		
LIABILITIES		
Due to other fund	1,579	5,181
Deferred revenue	<u>58,838</u>	<u>80,000</u>
 TOTAL LIABILITIES	 <u><u>60,417</u></u>	 <u><u>85,181</u></u>
 FUND BALANCE		
Restricted	<u>1,470,338</u>	<u>1,360,962</u>
 Total fund balance	 <u><u>1,470,338</u></u>	 <u><u>1,360,962</u></u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>1,530,755</u></u>	 <u><u>1,446,143</u></u>

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
REVOLVING LOAN FUND
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
REVENUES		
Revolving loan revenues		
County revenues	21,162	20,000
Federal revenue	80,000	80,000
Interest income	8,214	13,934
Closing fees	1,792	3,187
Total revolving loan revenues	<u>111,168</u>	<u>117,121</u>
 Administrative revenues		
Interest income	38,108	32,950
Other fees	2,180	4,321
Total administrative revenues	<u>40,288</u>	<u>37,271</u>
 Total revenues	<u>151,456</u>	<u>154,392</u>
 EXPENDITURES		
Administrative/Board expenditures		
Administrative contract	40,288	37,271
Total administrative/board expenditures	<u>40,288</u>	<u>37,271</u>
 Revolving loan expenditures		
Loan closing expense	1,792	3,167
Total revolving loan expenditures	<u>1,792</u>	<u>3,167</u>
 Total expenditures	<u>42,080</u>	<u>40,438</u>
 EXCESS OF REVENUES OVER EXPENDITURES	109,376	113,954
 FUND BALANCE, beginning of year	<u>1,360,962</u>	<u>1,247,008</u>
 FUND BALANCE, end of year	<u>1,470,338</u>	<u>1,360,962</u>

SCHEDULES

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
SCHEDULE OF FUNDING - STATE, FEDERAL AND OTHER SOURCES (2)
YEAR ENDED JUNE 30, 2014

	Unaudited Federal/State Funds Flow Through (1)	Unaudited Federal/State Admin Funds (1)	State	Total
City of Benson (shortform) SCDP	350	453		803
City of Benson SCDP	111,507	6,221		117,728
Clean Energy Resource Team			4,018	4,018
Clara City SCDP	3,341			3,341
Dawson EDA		4,155		4,155
Granite Falls DNR		21,466		21,466
Granite Falls EDA		13,821		13,821
City of Ortonville SCDP	23,672	5,336		29,008
Southwest Minnesota Arts and Humanity Council			6,465	6,465
	<u>138,870</u>	<u>51,452</u>	<u>10,483</u>	<u>200,805</u>

(1) These funds are flowing through Upper Minnesota Valley Regional Development Commission as they are the fiscal agent for the project, however, the revenue and expenditures are recorded in another entity's financial statements.

(2) This schedule does not include the local contribution to these grants.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Grant Number	Award Amount	Expenditures Recognized
U.S. Department of Commerce:				
(01) 301(B) EDA Planning Continuation Grant	11.302	06-83-05754	64,628	64,628
Title IX Long Term Economic Recovery RLF Grant	11.302	06-39-02302-01	955,000	957,268
Disaster Recovery RLF Grant	11.302	06-79-05786	400,000	252,617
Total CFDA # 11.302				<u>1,274,513</u>
Total U.S. Department of Commerce				<u>1,274,513</u>
U.S. Department of the Interior				
Pass Through: Fish and Wildlife Management Assistance				
The Natures Conservancy Project	15.608	6376-0001	4,702	4,702
Total CFDA # 15.608				<u>4,702</u>
Total U.S. Department of Interior				<u>4,702</u>
U.S. Department of Transportation:				
Safe Routes to School	20.205	1556	32,944	5,714
Safe Routes to School	20.205	1501	23,084	1,388
Safe Routes to School	20.205	4239	30,016	10,634
Safe Routes to School	20.205	4233	71,000	19,876
Total CFDA # 20.205				<u>37,612</u>
Byway Coordination Management Plan	20.505	SP091-060-102	119,712	27,715
Total CFDA # 20.505				<u>27,715</u>
Total U.S. Department of Transportation				<u>65,327</u>
U.S. Department of Homeland Security - FEMA				
Pass Through: State of MN Commissioner of Public Safety				
Hazard Mitigation Planning Grant	97.039	3-21244	90,488	21,594
Total CFDA # 97.039				<u>21,594</u>
Total U.S. Department of Homeland Security - FEMA				<u>21,594</u>
Total federal expenditures				<u>1,366,136</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is presented on the modified accrual basis of accounting.

NOTE B - TITLE IX LONG TERM ECONOMIC DETERIORATION REVOLVING LOAN FUND

Federal revenue recognized for CFDA #11.302 represents \$35,223 of WMRLF income used for administrative costs, and a cash and investment balance of \$248,642 as of June 30, 2014. This fund has an outstanding loan balance at June 30, 2014 of \$967,794, of which 76.48% is federally funded and 23.52% is locally funded.

NOTE C - DISASTER RECOVERY REVOLVING LOAN FUND

Federal revenue recognized for CFDA #11.302 represents \$5,065 of WMRLF income used for administrative costs, and a cash and investment balance of \$78,946 as of June 30, 2014. This fund has an outstanding loan balance at June 30, 2014 of \$231,760, of which 80.00% is federally funded and 20.00% is locally funded.

NOTE D - SUBRECIPIENTS

The Commission expended no awards to subrecipients during the year.

**ADDITIONAL REPORTS REQUIRED BY THE
SINGLE AUDIT ACT AND GENERALLY
ACCEPTED GOVERNMENT AUDITING STANDARDS**

DANA F. COLE & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' 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*

Board of Commissioners
Upper Minnesota Valley Regional Development Commission
Region Six West
Appleton, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America 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 each major fund of Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota's basic financial statements and have issued our report thereon dated October 31, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Upper Minnesota Valley Regional Development Commission, Appleton, Minnesota's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Upper Minnesota Valley Regional Development Commission, Appleton, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of Upper Minnesota Valley Regional Development Commission, Appleton, Minnesota'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2014-001, that we consider to be a significant deficiency.

Compliance and Other Matters

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

Upper Minnesota Valley Regional Development Commission, Region Six West's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Montevideo, Minnesota
October 31, 2014

Dana F. Cole & Company, LLP

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Commissioners
Upper Minnesota Valley Regional Development Commission
Region Six West
Appleton, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota's major federal program for the year ended June 30, 2014. Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota'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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota'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 Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota's compliance.

Opinion on Major Federal Program

In our opinion, Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota 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, 2014.

Report on Internal Control Over Compliance

Management of Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota's internal control over compliance with the types of requirements that could have a direct and material effect on a 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota'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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Montevideo, Minnesota
October 31, 2014

Dana F. Cole & Company, LLP

OTHER REQUIRED REPORTS AND SCHEDULES

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
 REGION SIX WEST
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2014

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors report issued: Unmodified

Internal control over financial reporting:

Material weakness identified: ___ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses: X Yes ___ No

Noncompliance matter to the financial statements disclosed: ___ Yes X No

Federal Awards

Internal control over major programs:

Material weakness identified: ___ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses: ___ Yes X No

Type of auditors' report issued on Compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133: ___ Yes X No

Identification of major programs:

Economic Development – Support for Planning Organizations	11.302
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Dollar threshold used to distinguish Between type A and type B programs: \$300,000

Auditee qualified as a low-risk auditee: X Yes ___ No

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

2014-01 Significant Deficiency in Financial Reporting

Conditions and Criteria: Auditing Standards require an entity have internal controls in place to insure that their financial statements, including footnote disclosure, are appropriately stated. The Commission relies on audit staff to prepare required GAAP disclosures.

Cause: The Commission's business manager and staff review all financial statements to insure that they are appropriately stated, but do not have backgrounds in financial reporting to insure that all relevant disclosures are made.

Effect: There is a significant deficiency in financial reporting as it relates to note disclosure.

Auditor's Recommendation: The Commission could outsource the final review of the financial statements to verify that all required disclosures have been made.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

CORRECTIVE ACTION PLAN (CAP)

1. Explanation of Disagreement with Audit Findings: There is no disagreement with the audit finding.
2. Action Planned in Response to Finding: The Commission is determining whether it is economically feasible to outsource the final review of the financial statements to verify that all required disclosures have been made.
3. Official Responsible for Insuring CAP: The Executive Director is responsible for insuring corrective action of this deficiency.
4. Planned Completion Date for CAP: Continuous review of these issues is necessary.
5. Plan to Monitor Completion of CAP: The Executive Director and the Board will be monitoring this corrective action plan.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT
None

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2014

1. Significant Deficiency in Financial Reporting

Conditions and Criteria: Auditing Standards require an entity have internal controls in place to insure that their financial statements, including footnote disclosure, are appropriately stated. The Commission relied on audit staff to prepare required GAAP disclosures.

Cause: The Commission's business manager and staff reviewed all financial statements to insure that they are appropriately stated, but did not have backgrounds in financial reporting to insure that all relevant disclosures were made.

Effect: There was a significant deficiency in financial reporting as it related to note disclosure.

Auditor's Recommendation: The Commission could outsource the final review of the financial statements to verify that all required disclosures have been made.

Current Status: The Commission determined that it was not cost beneficial to outsource the final review.

MINNESOTA LEGAL COMPLIANCE

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Commissioners
Upper Minnesota Valley Regional Development Commission
Region Six West
Appleton, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America 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 each major fund of Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota, as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2014.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except for the Commission being materially undercollateralized at one financial institution at June 30, 2014. Our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Upper Minnesota Valley Regional Development Commission, Region Six West's noncompliance with the above referenced provisions.

This report is intended solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion compliance. Accordingly, this communication is not suitable for any other purpose.

Montevideo, Minnesota
October 31, 2014

Dana F. Cole & Company, LLP