

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION

REGION SIX WEST

APPLETON, MINNESOTA

FINANCIAL STATEMENTS

JUNE 30, 2017



**DANA F. COLE
& COMPANY** LLP
CERTIFIED PUBLIC ACCOUNTANTS

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION

REGION SIX WEST

APPLETON, MINNESOTA

FINANCIAL STATEMENTS

JUNE 30, 2017

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

	Page
ORGANIZATION	
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 9
FINANCIAL SECTION	
Basic Financial Statements	
Government-wide Financial Statements	
Statements of Net Position	10 - 11
Statement of Activities	12 - 13
Fund Financial Statements - Governmental Funds	
Balance Sheet	14
Reconciliation of the Balance Sheet to the Statements of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	17
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund	18
NOTES TO FINANCIAL STATEMENTS	19 - 40
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of Employer's Contributions (PERA)	41
Schedule of Employer's Share of Net Pension Liability (PERA)	42
SUPPLEMENTAL INFORMATION	
General Fund - Balance Sheets	43
General Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	44 - 50
Revolving Loan Fund - Balance Sheets	51
Revolving Loan Fund - Schedules of Revenues, Expenditures and Changes in Fund Balance	52
SCHEDULES	
Schedule of Funding - State and Federal Sources	53
Schedule of Expenditures of Federal Awards	54 - 55
ADDITIONAL REPORTS REQUIRED BY THE UNIFORM GUIDANCE 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>	56 - 57
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance	58 - 59

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

	Page
OTHER REQUIRED REPORTS AND SCHEDULES	
Schedule of Findings and Questioned Costs	60 - 61
Summary Schedule of Prior Year Audit Findings	62
Independent Auditors' Report on Minnesota Legal Compliance	63

INTRODUCTORY SECTION

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:

Roy Marihart
Mark Bourne

January 2017
September 2010

Swift County:

Warren Rau
Gary Hendrickx

May 2003
January 2006

Yellow Medicine County:

Gary Johnson
Gene Stengel

January 1993
March 2015

Special Interest Groups:

Juanita Lauritsen
Diane Kepner
Winthro "Windy" Block
Vicki Oakes

July 2001
August 2016
August 2016
April 2017

School Board

Brett Buer

February 2009

Municipalities

Debra Lee Fader
Jeff Olson
Duane Steen
Gene Bies

March 2013
February 2010
January 2017
May 2017

Officers

Chairperson - Gary Johnson
Vice Chairperson - Mark Bourne
Secretary-Treasurer - Gary Hendrickx
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, 2017, and the related notes to the financial statements, which collectively comprise the Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota'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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2017, 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 4 thru 9, and the GASB 68 pension schedules on pages 41 and 42, 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 the 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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, 2016, and in our report dated November 9, 2016, 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, 2016, 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 November 13, 2017, on our consideration of the 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 the Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota's internal control over financial reporting and compliance.

Montevideo, Minnesota
November 13, 2017

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, 2017. Please read it in conjunction with the Commission's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2017 are as follows:

- In total, net position decreased \$81,941, which represents a 4% decrease from fiscal year 2016.
- General revenues accounted for \$314,397 in revenue or 20% of all revenues. Program specific revenues in the forms of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$1,279,454 or 80% of total revenues of \$1,593,851.
- Total assets decreased by \$12,544, as current assets increased \$23,000, net capital assets decreased by \$13,967, and noncurrent assets decreased by \$21,577.
- The Commission had \$1,675,792 in expenses. Of these expenses, \$1,279,454 was offset by program specific charges for services, grants or contributions, and general revenues, primarily local taxes, covered \$314,397 of expenses.
- Among major funds, the General Fund had \$1,585,250 in revenues and \$1,568,373 in expenditures. The General Fund's fund balance increased \$16,877 from fiscal year 2016.

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 10-13) 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 14. 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.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

- 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.

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 technical assistance, administration, GIS, grant administration, grant writing, programs, 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. At June 30, 2017, the Commission's net position is \$2,021,702, a decrease of \$81,941 since the prior year end (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 2017 compared to FY 2016:

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

	2017	2016
Assets		
Current and other assets	2,727,219	2,725,796
Capital assets (net of accumulated depreciation of \$150,903 and \$135,130 for 2017 and 2016)	31,255	45,222
Total assets	2,758,474	2,771,018
 Deferred outflows of resources	 309,292	 101,034
 Liabilities		
Current liabilities	245,590	239,298
Long-term liabilities	742,468	467,688
Total liabilities	988,058	706,986
 Deferred inflows of resources	 58,006	 61,423
 Net position		
Net investment in capital assets	31,255	45,222
Restricted	1,690,294	1,707,039
Unrestricted	300,153	351,382
Total net position	2,021,702	2,103,643

The \$300,153 of unrestricted net position may be used to meet the Commission's ongoing obligations.

Unrestricted net position decreased \$81,941. Approximately \$70,000 of this decrease is due to adjustments required by GASBS 68, which records the Commission's portion of the unfunded net pension liability related to its PERA covered employees.

Changes to Net Position

Governmental activities decreased the Commission's net position by \$81,941. Key elements of this net decrease are as follows:

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

FINANCIAL ANALYSIS OF THE COMMISSION AS A WHOLE (Continued)

Table 2
 Change in Net Position

	2017	2016
Revenues		
Program revenues		
Charges for services	433,245	400,439
Operating grants and contributions	216,237	240,704
Capital grants and contributions	629,972	680,799
General revenues		
Property taxes	295,131	286,764
State aid	10,896	10,681
Other general revenue	4,184	2,452
Investment earnings	4,186	2,966
Gain (loss) on sale of assets		(419)
Total revenues	<u>1,593,851</u>	<u>1,624,386</u>
Expenses		
Administration	260,721	187,983
Programs	418,143	391,509
Technical assistance	271,682	246,345
GIS		347
Grant administration	45,573	90,000
Grant writing	27,593	46,115
Fiscal agent pass-through	634,367	686,199
Unallocated depreciation	17,713	18,535
Total expenses	<u>1,675,792</u>	<u>1,667,033</u>
Change in net position	(81,941)	(42,647)
Net position, beginning	<u>2,103,643</u>	<u>2,146,290</u>
Net position, ending	<u><u>2,021,702</u></u>	<u><u>2,103,643</u></u>

Due to changes in actuarial assumptions related to the MN Public Employees Retirement Association (PERA), the calculated amounts for the Commission's PERA pension reporting caused significant changes to the Statement of Net Position, as well as the Statement of Changes in Net Position, when compared to June 30, 2016. Since FY2016, deferred outflows increased \$208,258, net pension liability increased \$282,122, and pension expense increased by \$52,065. This increase in pension expense is the primary reason for the \$81,941 decrease in net position in FY2017.

GASBS 68 requires the Commission to recognize its assigned portion of the unfunded pension liability of PERA, even though PERA is a separate legal entity from the Commission. The liability that

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

FINANCIAL ANALYSIS OF THE COMMISSION AS A WHOLE (Continued)

the Commission must record for PERA is \$722,636 as of June 30, 2017. Inclusion of the PERA net pension liability results in a reduction of the Commission's Net Position. Factoring in the related deferred inflows and outflows, under pre-GASBS 68 accounting rules, the Commission would have an unrestricted net position of approximately \$770,000, rather than \$300,153.

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 \$2,595,040. This was up from \$2,575,709 at the end of the prior year, an increase of \$19,331. Revenues of the Commission's governmental funds totaled \$1,640,202 while total expenditures were \$1,620,871. A summary of the revenues and expenditures reported on the governmental fund financial statements appears in the table below:

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

Revenues and Expenditures - Governmental Funds - 2017

	Revenues	Expenditures	Increase/ (Decrease)	Fund Balance 06/30/17
General fund	1,585,250	1,568,373	16,877	810,916
Revolving loan fund	54,952	52,498	2,454	1,784,124
Totals	<u>1,640,202</u>	<u>1,620,871</u>	<u>19,331</u>	<u>2,595,040</u>

Revenues and Expenditures - Governmental Funds - 2016

	Revenues	Expenditures	Increase/ (Decrease)	Fund Balance 06/30/16
General fund	1,616,995	1,634,378	(17,383)	794,039
Revolving loan fund	57,224	52,774	4,450	1,781,670
Totals	<u>1,674,219</u>	<u>1,687,152</u>	<u>(12,933)</u>	<u>2,575,709</u>

As of the end of the current fiscal year, the Commission's general fund reported an ending fund balance of \$810,916, an increase of \$16,877. The fund balance is currently classified as follows:

Nonspendable	13,454
Restricted	8,516
Committed	44,000
Assigned	148,384
Unassigned	596,562
Total general fund	<u>810,916</u>

The revolving loan fund balance is all restricted.

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

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.

- The major change between original and final budget relates to a decrease in federal revenue and a decrease in salaries, fringe, travel, and indirect costs due to staff turnover.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Commission's investment in capital assets for its activities as of June 30, 2017 was \$31,255 (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 \$742,468 of long-term debt. This consisted of a compensated absence obligation of \$19,832, and the Commission's portion of PERA's unfunded net pension liability of \$722,636. (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 Dawn Hegland, Executive Director, 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, 2017 AND 2016

	Governmental Activities	
	2017	2016
ASSETS		
Cash	513,303	573,987
Certificates of deposit	350,394	350,000
Interest receivable	3,614	3,614
Taxes receivable	2,389	2,389
Accounts receivable	9,906	1,377
Due from other governmental units	156,869	85,823
Prepaid expenses	13,454	9,739
Total current assets	1,049,929	1,026,929
NON CURRENT ASSETS		
Restricted cash	569,604	437,969
Notes receivable	1,223,486	1,352,498
Allowance for doubtful notes receivable	(115,800)	(91,600)
Total non current assets	1,677,290	1,698,867
CAPITAL ASSETS		
Equipment	182,158	180,352
Less: accumulated depreciation	(150,903)	(135,130)
Total capital assets, net of depreciation	31,255	45,222
TOTAL ASSETS	2,758,474	2,771,018
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to PERA	309,292	101,034
TOTAL DEFERRED OUTFLOWS OF RESOURCES	309,292	101,034
LIABILITIES		
Accounts and contracts payable	42,400	19,665
Accrued liabilities	39,542	38,451
Deferred revenue	163,648	181,182
Total current liabilities	245,590	239,298
NONCURRENT LIABILITIES		
Net pension liability - PERA	722,636	440,514
Compensated absences payable	19,832	27,174
Total noncurrent liabilities	742,468	467,688
TOTAL LIABILITIES	988,058	706,986

See accompanying notes to financial statements.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION REGION SIX WEST
 STATEMENTS OF NET POSITION
 JUNE 30, 2017 AND 2016

	<u>Governmental Activities</u>	
	2017	2016
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to PERA	<u>58,006</u>	<u>61,423</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>58,006</u>	<u>61,423</u>
NET POSITION		
Net investment in capital assets	31,255	45,222
Restricted for:		
Revolving loans	1,668,324	1,690,070
Scenic byway	8,516	7,230
Other projects	13,454	9,739
Unrestricted	<u>300,153</u>	<u>351,382</u>
TOTAL NET POSITION	<u><u>2,021,702</u></u>	<u><u>2,103,643</u></u>

See accompanying notes to financial statements.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION REGION SIX WEST
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

Functions/Programs	2017				2016
	Expenses	Program Revenues		Net (Expense)	Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities	Governmental Activities
Governmental activities					
Administration	260,721	10,472		(250,249)	(175,700)
Programs	418,143	212,936	119,282	(85,925)	(62,268)
Technical assistance	271,682	150,415	92,560	(28,707)	(61,112)
GIS					(347)
Grant administration	45,573	41,120		(4,453)	(16,004)
Grant writing	27,593	18,302		(9,291)	(11,125)
Fiscal agent pass-through	634,367		4,395	629,972	
Unallocated depreciation	17,713			(17,713)	(18,535)
Total governmental activities	1,675,792	433,245	216,237	629,972	(396,338)
				(345,091)	

See accompanying notes to financial statements.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION REGION SIX WEST
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	2017	2016
	Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
General revenues		
Property taxes, levied for general purposes	295,131	286,764
State aid	10,896	10,681
Other general revenue	4,184	2,452
Investment earnings	4,186	2,966
Gain (loss) on sale of assets		(419)
Total general revenues	314,397	302,444
CHANGE IN NET POSITION	(81,941)	(42,647)
NET POSITION, beginning of year	2,103,643	2,146,290
NET POSITION, end of year	2,021,702	2,103,643

See accompanying notes to financial statements.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION REGION SIX WEST
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017
(WITH PARTIAL COMPARATIVE INFORMATION AS OF JUNE 30, 2016)

	General	RLF	Total Governmental Funds	
			2017	2016
ASSETS				
Cash	513,303		513,303	573,987
Restricted cash	8,516	561,088	569,604	437,969
Certificates of deposit	350,394		350,394	350,000
Interest receivable		3,614	3,614	3,614
Taxes receivable	2,389		2,389	2,389
Accounts receivable	9,906		9,906	1,377
Due from other fund	4,064		4,064	4,350
Due from other governments	156,869		156,869	85,823
Prepaid expenses	13,454		13,454	9,739
Loans receivable		1,223,486	1,223,486	1,352,498
TOTAL ASSETS	1,058,895	1,788,188	2,847,083	2,821,746
LIABILITIES				
Accounts and contracts payable	42,400		42,400	19,665
Unearned revenue	163,648		163,648	181,182
Due to other fund		4,064	4,064	4,350
Accrued liabilities	39,542		39,542	38,451
Total liabilities	245,590	4,064	249,654	243,648
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - delinquent taxes	2,389		2,389	2,389
Total deferred inflows of resources	2,389		2,389	2,389
FUND BALANCES				
Nonspendable	13,454		13,454	9,739
Restricted	8,516	1,784,124	1,792,640	1,788,900
Committed	44,000		44,000	38,000
Assigned	148,384		148,384	135,267
Unassigned	596,562		596,562	603,803
Total fund balances	810,916	1,784,124	2,595,040	2,575,709
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	1,058,895	1,788,188	2,847,083	2,821,746

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, 2017 AND 2016

	2017	2016
Total fund balances - governmental funds	2,595,040	2,575,709
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	(115,800)	(91,600)
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets	182,158	180,352
Less: accumulated depreciation	(150,903)	(135,130)
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	(19,832)	(27,174)
Net pension liability - PERA	(722,636)	(440,514)
Deferred inflows & deferred outflows - PERA	251,286	39,611
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	2,021,702	2,103,643

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, 2017
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	General	RLF	Total Governmental Funds	
			2017	2016
REVENUES				
Local property tax levies	295,131		295,131	286,764
Other local and county revenues	1,076,789		1,076,789	1,089,266
Revenues from state sources	122,280		122,280	172,839
Revenues from federal sources	91,050		91,050	68,126
Revolving loan fund revenue		5,792	5,792	7,813
Administrative revenue		49,160	49,160	49,411
Total revenues	1,585,250	54,952	1,640,202	1,674,219
EXPENDITURES				
Current				
Administration	243,558		243,558	181,720
Programs	364,965	52,498	417,463	436,419
Technical assistance	253,368		253,368	242,620
Grant writing	25,395		25,395	45,337
Grant administration	41,911		41,911	88,293
Fiscal agent pass-through	634,367		634,367	686,199
Capital outlay	4,809		4,809	6,564
Total expenditures	1,568,373	52,498	1,620,871	1,687,152
REVENUES OVER EXPENDITURES	16,877	2,454	19,331	(12,933)
FUND BALANCES, beginning of year	794,039	1,781,670	2,575,709	2,588,642
FUND BALANCES, end of year	810,916	1,784,124	2,595,040	2,575,709

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, 2017 AND 2016

	2017	2016
Total net change in fund balances - governmental funds	19,331	(12,933)
 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 expense.		
	(24,200)	1,400
 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	3,747	7,611
Depreciation expense	(17,713)	(18,882)
Gain (loss) on sale of equipment		(419)
 Compensated absence and pension 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.		
	<u>(63,106)</u>	<u>(19,424)</u>
 Change in net position - governmental funds	 <u>(81,941)</u>	 <u>(42,647)</u>

See accompanying notes to financial statements.

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, 2017

	Original Budget	Final Budget	Actual
REVENUES			
Local property tax levies	300,000	300,000	295,131
Other local and county revenues	412,082	404,981	1,076,789
Revenues from state sources	122,148	107,698	122,280
Revenues from federal sources	168,988	99,477	91,050
	<u>1,003,218</u>	<u>912,156</u>	<u>1,585,250</u>
EXPENDITURES			
Current			
Administration	247,931	248,105	243,558
Programs	344,054	340,934	364,965
Technical assistance	278,873	238,234	253,368
Grant writing	28,718	24,517	25,395
Grant administration	56,000	41,100	41,911
Fiscal agent pass through			634,367
Capital outlay			4,809
	<u>955,576</u>	<u>892,890</u>	<u>1,568,373</u>
REVENUES OVER EXPENDITURES	<u>47,642</u>	<u>19,266</u>	16,877
FUND BALANCE, beginning of year			<u>794,039</u>
FUND BALANCE, end of year			<u>810,916</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 are presented in conformity with accounting principles generally accepted in the United States of America (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 receives funding from local, state, and federal government sources and must comply with the accompanying requirements of these funding source entities. The Commission is not included in any other governmental "reporting entity" as described in Section 2100 of Codification of Governmental Accounting and Financial Reporting Standards, since board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. The Commission has no component units over which it exercises financial accountability as defined by *Government Auditing Standards*.

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 are 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.

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)

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.

As a general rule, the effect of inter-fund 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. Descriptions of the funds included in this report are 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.

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.

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

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Revenues

Governmental fund revenues are recognized in the accounting period in which they become susceptible to accrual; that is, when they become both measurable and available to finance the expenditures of the fiscal period. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues for nonexchange transactions are recognized based on the principal characteristics of the revenue. Exchange transactions are recognized as revenue when the exchange occurs.

Nonexchange Transactions

Imposed nonexchange transactions result from assessments by governments on nongovernmental entities and individuals. Property taxes are imposed nonexchange transactions. Revenues from property taxes are recognized in the period for which they were levied, to the extent they are collected in the current period or soon enough thereafter to be used to pay liabilities of the current period. Property taxes receivable which are not available, are reported as unearned revenue and will be recognized as revenue in the fiscal year that they become available. The Commission considers these revenues as available if they are collected within 60 days after year-end.

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)

Nonexchange Transactions (Continued)

Government-mandated nonexchange transactions occur when a government at one level provides resources to a government at another level and requires that government to use them for a specific purpose. The provider government establishes purpose restrictions and may also establish time requirements. Federal and state grants mandating the Commission perform particular programs are government-mandated nonexchange transactions. Revenues are recognized when the eligibility and time requirements are met, usually when the corresponding expenditure is incurred, using the guidelines of the legal and contractual requirements of the individual programs.

Voluntary nonexchange transactions result from legislative or contractual agreements, such as grants, entitlements, appropriations, and donations. The provider may establish purpose restrictions and eligibility requirements. Revenues are recognized in the year to which they apply according to statute or contract. Gifts and contributions from individuals and miscellaneous revenue are also considered voluntary nonexchange transactions, and they are generally recognized when received in cash because they are not measurable until received. Tax credits paid by the state (included in intergovernmental revenue) are recognized as revenue in the fiscal year that they become available. The Commission considers revenues from tax credits paid by the state as available if they are collected within 60 days after year-end.

Exchange Transactions

Exchange transactions include revenues such as interest earned, sales and service fees. Sales, service fees, and interest earned, are reported as revenue when they become both measurable and available to finance expenditures of the fiscal period. The Commission considers these revenues as available if they are collected within 60 days after year-end. Fees are reported as revenue when received in cash, because they are usually not measurable until received.

Expenditures

Expenditures are recorded under the modified accrual method when the fund liability is incurred, except for certain compensated absences, claims, and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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)

The Commission reports unearned revenue on its combined balance sheet. Unearned revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned 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 unearned revenue is removed from the combined balance sheet and revenue is recognized.

D. BUDGETING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Revisions to the originally adopted budget require approval of the Board of Commissioners. The budget was amended during the year. Each July, the Board adopts an annual budget for the following fiscal year for the General Fund. Unexpected budget amounts lapse at the end of the budget year.

E. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, the Commission has two 12 month certificates of deposit, whose cost approximates market.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

H. RECEIVABLES

Accounts receivable have been adjusted for all known uncollectible accounts. No allowance for bad debts is considered necessary at year end.

I. PROPERTY TAXES RECEIVABLE

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.

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.

J. NOTES AND LOANS RECEIVABLE

Notes and loans (hereafter referred to as "loans") have been issued to financially assist local businesses.

Loans receivable in governmental funds are reported as an asset in the amount of loan proceeds disbursed less collections on principal. An allowance for uncollectible loans, which offsets the total gross loans receivable, is recognized in the government-wide financial statements, for the amount of loans receivable for which collection is doubtful or questionable.

The allowance for uncollectible loans is based upon an analysis of credit risk and payment delinquency.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. CAPITAL ASSETS

Capital assets, which includes equipment and vehicles, are recorded in the government-wide financial statements, but are not recorded in the fund financial statements. 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 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 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 Commission's purpose, 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.

L. 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. Sick leave is earned at a set rate of 4.33 hours per pay period with a maximum accumulation of 100 days. Leave time costs are recognized as expenditures when leave time is used. The liability for unused vacation time is recorded in the government wide financial statements. Unused sick leave is paid out upon termination, based on the number of years employed, with varying percentages.

M. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The Commission has a calculation related to PERA that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Commission's delinquent taxes and also a calculation related to PERA qualify for reporting in this category.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. RETIREMENT PLANS

Substantially all employees of the Commission are required by State law to belong to the pension plan administered by Public Employees Retirement Association (PERA), which is administered on a statewide basis. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of PERA and additions to/deductions from PERA's net position have been determined on the same basis as they are reported by PERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. FUND EQUITY

Government-Wide Financial Statements - Equity is classified as net position and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - Consists of restricted assets reduced by liabilities and deferred inflows of resource related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Unrestricted net position - Consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets, net of related debt, or the restricted net position.

It is the Commission's policy to first use restricted components of net position prior to the use of unrestricted components of net position when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available.

Fund Financial Statements - The Commission 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:

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. FUND EQUITY (Continued)

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 Commission 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 Commission takes the same highest level action to remove or change the constraint.

Assigned fund balance – amounts the Commission 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 Commission considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Commission 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.

P. REVENUES, EXPENDITURES, AND EXPENSES

Program Revenues

In the statement of activities, revenues that are derived directly from each activity or from parties outside the Commission taxpayers are reported as program revenues. The Commission has the following program revenues in each activity:

Administration – agency auto revenue and dividend income.

Programs – governmental revenue and other revenue received for Prairie Waters and Meander. Also RLF revenue.

Technical assistance – revenues from other governmental units and private foundations.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. REVENUES, EXPENDITURES, AND EXPENSES (Continued)

Grant administration – revenues from other governmental units.

Grant writing – governmental revenue.

Fiscal agent pass-through – governmental revenue passed through to other governmental units.

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function.

In the fund financial statements, expenditures are classified as follows:

Governmental funds - By each function

Current

Capital outlay

Q. PRIOR-YEAR COMPARATIVE FINANCIAL INFORMATION

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with the applicable basis of accounting. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

R. 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

Expenditures exceeded the appropriations during the year ended June 30, 2017 in the following fund. This excess was covered by current year revenues or existing fund balance.

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

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. EXCESS OF EXPENDITURES OVER APPROPRIATIONS (Continued)

	Appropriations	Expenditures	Expenditures over Appropriations
General Fund	892,890	1,568,373	(675,483)

The majority of this variance 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, 2017, all deposits were fully protected by FDIC insurance coverage and additional collateral.

NOTE 4. DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2017 are summarized as follows:

	General
Due from federal government	2,063
Due from state government	40,166
Due from local governments	114,640
Total	156,869

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

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, 2017, there were 30 loans outstanding totaling \$1,223,486. Loans receivable as of June 30, 2017 are as follows:

	Maturity Date	Repayment Terms	Interest Rate	Balance 06/30/17
Al's Mercantile	12/15/20	538/mo.	5.00%	20,686
Appleton Meat Center	07/15/19	304/mo.	4.00%	17,066
Barr's Conroy Electric	02/15/22	466/mo.	4.00%	24,012
Bluegrass Proteins, Inc.	07/05/19	2,112/mo.	4.00%	156,347
Books by Kelly	08/15/20	122/mo.	5.00%	9,422
C & L Powder Coating	04/01/23	553/mo.	2.90%	47,683
Clara City Foods	04/01/21	2,026/mo.	4.00%	180,344
Clarkfield Family Foods	07/01/19	284/mo.	4.00%	7,712
Goldleaf Financial LTD	03/01/18	1,792/mo.	2.90%	15,939
Granite Falls Dairy Queen	05/01/22	1,012/mo.	4.00%	54,249
Handeland Chiropractic, LLC	12/15/20	366/mo.	5.00%	14,031
Jager Building	01/15/22	628/mo.	4.00%	37,010
JC & Sons Hardware	03/01/20	709/mo.	4.00%	22,138
Kaercher Publications, Inc.	06/01/22	679/mo.	4.50%	36,676
KEC of Granite (Picht's Auto Body)	06/01/21	507/mo.	4.00%	45,845
Lamecker's General Store	05/01/19	461/mo.	4.00%	10,291
Madison Meats	09/01/15	685/mo.	4.00%	8,160
Mattheisen Properties LLC	09/01/26	1,013/mo.	4.00%	93,832
Merritt Construction	08/01/22	104/mo.	4.50%	5,724
Northern Geo	04/15/21	1,519/mo.	4.00%	109,696
Northern Geo II	01/15/22	820/mo.	4.25%	77,261
Private Industry Council	08/01/20	396/mo.	4.00%	12,193
R&R Outdoors	09/15/23	111/mo.	4.00%	8,347
SEWearable Designs, Inc.	09/01/19	361/mo.	4.50%	10,195
SEWearable Designs, Inc.	03/01/27	282/mo.	4.50%	26,669
SpecSys, Inc.	01/01/19	507/mo.	4.00%	13,671
Swift Falls Bar & Grill	10/10/19	228/mo.	4.00%	6,128
The Sawmill	04/15/22	204/mo.	4.00%	27,199
Trish's Catering	06/15/27	390/mo.	4.25%	38,000
West Central Powder Coating, Inc.	11/15/29	740/mo.	4.00%	86,960
Total				<u><u>1,223,486</u></u>

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

NOTE 5. LOANS RECEIVABLE (Continued)

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. UNEARNED REVENUE

The amounts of Unearned Revenue at June 30, 2017 are summarized as follows:

	<u>Grants</u>	<u>Total</u>
General	<u>163,648</u>	<u>163,648</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 2017. Future minimum operating lease commitments are as follows:

Year ending June 30	
2018	<u>1,482</u>
Total	<u>1,482</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, 2017.

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, 2017 were \$252,548.

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

NOTE 9. CAPITAL ASSETS

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

		<u>Equipment</u>
Cost at	June 30, 2016	180,352
Additions		3,746
Disposals		<u>(1,940)</u>
Cost at	June 30, 2017	<u><u>182,158</u></u>

Accumulated depreciation activity for the year ended June 30, 2017 is as follows:

		<u>Equipment</u>
Accumulated depreciation at	June 30, 2016	135,130
Additions		17,713
Disposals		<u>(1,940)</u>
Accumulated depreciation at	June 30, 2017	<u><u>150,903</u></u>
Capital assets net of accumulated depreciation at	June 30, 2017	<u><u>31,255</u></u>

Depreciation expense of \$17,713 for the year ended June 30, 2017 was charged to the following governmental functions:

Unallocated depreciation	<u>17,713</u>
Total depreciation expense	<u><u>17,713</u></u>

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

NOTE 10. LONG-TERM DEBT

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:

	June 30, 2016	Additions	Retirements	June 30, 2017
Long-term liabilities				
Net pension liability	440,514	282,122		722,636
Compensated absences	27,174		7,342	19,832
	<u>467,688</u>	<u>282,122</u>	<u>7,342</u>	<u>742,468</u>

NOTE 11. FUND BALANCES

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

	General Fund	Revolving Loan Fund	Total
Nonspendable:			
Prepaid items	13,454		13,454
Restricted:			
Revolving Loan Fund		1,784,124	1,784,124
Scenic Byway Savings	8,516		8,516
Committed:			
Medical Reimbursement Allocation	18,000		18,000
Compensated Absences	16,000		16,000
Unemployment	10,000		10,000
Assigned			
Prior Year Match/Hedge Hog Assigned Between Tax Settlements	48,384		48,384
	100,000		100,000
Unassigned	<u>596,562</u>		<u>596,562</u>
Total Fund Balances	<u>810,916</u>	<u>1,784,124</u>	<u>2,595,040</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. There have been no settlements in excess of coverage in the past 3 years.

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, 2017, there were no outstanding claims, of which the Commission is aware.

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.

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

NOTE 14. DEFINED BENEFIT PENSION PLAN

A. PLAN DESCRIPTION

The Commission participates in the following cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

General Employees Retirement Plan (GERF)

PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353, and 356. All full-time and certain part-time employees of Upper Minnesota Valley Regional Development Commission are covered by the General Employees Retirement Fund (GERF). GERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. BENEFITS PROVIDED

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

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 Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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

NOTE 14. DEFINED BENEFIT PENSION PLAN

C. CONTRIBUTIONS

Minnesota Statutes chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2017 and the Commission was required to contribute 7.5% for Coordinated Plan members. The Commission's contributions to the GERF for the plan's fiscal year ending June 30, 2017 were \$35,810. The Commission's contribution was equal to the required contribution for the year as set by state statute.

D. PENSION COSTS

At June 30, 2017, Upper Minnesota Valley Regional Development Commission reported a liability of \$722,636 for its proportionate share of the GERF's net pension liability. The Commission's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. The State of Minnesota is considered a non-employer contributing entity, and the State's contribution meets the definition of a special funding situation. The State's proportionate share of the net pension liability associated with the Commission totaled \$9,421. The net pension liability was measured as of June 30, 2016, and the total net pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on the Commission's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, Upper Minnesota Valley Regional Development Commission's proportion was 0.0089%, which was an increase of 0.0004% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Commission recognized pension expense of \$100,160 for its proportionate share of GERF's pension expense. In addition, the Commission recognized an additional \$2,809 as pension expense and grant revenue for its proportionate share of the State of Minnesota's contribution of \$6 million to the GERF.

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

NOTE 14. PENSION PLANS (Continued)

D. PENSION COSTS (Continued)

At June 30, 2017, Upper Minnesota Valley Regional Development Commission reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected/actual economic experience	1,949	58,006
Changes in actuarial assumptions	155,303	
Difference between projected/actual investment earnings	81,744	
Changes in proportion	34,486	
Contributions paid to PERA subsequent to the measurement date	35,810	
Total	309,292	58,006

\$35,810 reported as deferred outflows of resources related to pensions resulting from Upper Minnesota Valley Regional Development Commission's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Year ended June 30	Pension Expense Amount
2018	65,328
2019	49,570
2020	74,475
2021	26,103
2022	215,476
	215,476

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

NOTE 14. PENSION PLANS (Continued)

E. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to 1% per year for GERF.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The most recent four-year experience study for the GERF plan was completed in 2015. The following changes in actuarial assumptions occurred in 2016:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter, to 1% per year for all future years.
- The assumed investment return and discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and future salary increases were increased by 0.5% to 3.5% for payroll growth and decreased 2.5 % for salary increases.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

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

NOTE 14. PENSION PLANS (Continued)

E. ACTUARIAL ASSUMPTIONS (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%
Total	<u>100%</u>	

F. DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.5% (a reduction from the 7.9% at the prior measurement date). The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on those assumptions, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. PENSION LIABILITY SENSITIVITY

The following table presents the Commission's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Upper Minnesota Valley Regional Development Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	Discount Rate	Discount Rate	Discount Rate
GERF Discount Rate	6.50%	7.50%	8.50%
UMVRDC's proportionate share of the GERF net pension liability	1,026,357	722,636	472,452

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

NOTE 14. PENSION PLANS (Continued)

H. PENSION PLAN FIDUCIARY NET POSITION

Detailed information about GERP's fiduciary net position is available in a separately-issued PERA financial report. 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.

REQUIRED SUPPLEMENTAL INFORMATION

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
 PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND (PERA)*

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered- Employee Payroll (d)	Contributions as a Percentage of Covered- Employee Payroll (b/d)
June 30, 2015	\$36,650	\$36,650	\$0	\$497,092	7.37%
June 30, 2016	\$41,110	\$41,110	\$0	\$548,133	7.50%
June 30, 2017	\$35,810	\$35,810	\$0	\$477,467	7.50%

* Option to provide RSI for ten years at transition or to provide RSI prospectively.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
 PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND (PERA)*

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Employer's Covered- Employee Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2014	0.0078%	\$366,405	\$410,716	89.21%	78.75%
June 30, 2015	0.0085%	\$440,514	\$497,092	88.62%	78.19%
June 30, 2016	0.0089%	\$722,636	\$549,640	131.47%	68.19%

* Schedule is to be provided prospectively beginning with the employer's fiscal year ended June 30, 2014, the Measurement Date.

SUPPLEMENTAL INFORMATION

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION REGION SIX WEST
GENERAL FUND
BALANCE SHEETS
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash	513,303	573,987
Restricted cash	8,516	7,230
Certificates of deposit	350,394	350,000
Taxes receivable - delinquent	2,389	2,389
Accounts receivable	9,906	1,377
Due from other fund	4,064	4,350
Due from other governments	156,869	85,823
Prepaid expenses	13,454	9,739
	<u>1,058,895</u>	<u>1,034,895</u>
TOTAL ASSETS	1,058,895	1,034,895
LIABILITIES		
Accounts and contracts payable	42,400	18,834
Unearned revenue - grants	163,648	181,182
Accrued liabilities	39,542	38,451
	<u>245,590</u>	<u>238,467</u>
Total liabilities	245,590	238,467
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue - delinquent taxes	2,389	2,389
	<u>2,389</u>	<u>2,389</u>
Total deferred inflows of resources	2,389	2,389
FUND BALANCES		
Nonspendable	13,454	9,739
Restricted	8,516	7,230
Committed	44,000	38,000
Assigned	148,384	135,267
Unassigned	596,562	603,803
	<u>810,916</u>	<u>794,039</u>
Total fund balances	810,916	794,039
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	1,058,895	1,034,895

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, 2017
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	2017		2016
	Final Budget	Actual	Actual
REVENUES			
LOCAL PROPERTY TAX LEVIES			
Local levies	300,000	295,131	286,764
Total local property tax levies	<u>300,000</u>	<u>295,131</u>	<u>286,764</u>
OTHER LOCAL AND COUNTY REVENUES			
Reimbursement from WMRLF	50,000	49,160	49,411
Revenue from cities/counties/hedge hog	145,660	160,528	181,347
Agency auto/equipment replacement		8,930	9,802
Regional tourism/byway activities	133,221	157,146	112,724
Local pass-thru		630,367	686,199
Upper Sioux hazard mitigation			6,581
Interest revenue	3,500	4,197	2,976
Greater MN development strategy			4,797
Blandin Foundation	67,600	58,190	24,573
Federated broadband			3,975
Miscellaneous revenue	5,000	8,271	6,881
Total other local and county revenues	<u>404,981</u>	<u>1,076,789</u>	<u>1,089,266</u>
REVENUES FROM STATE SOURCES			
Ag/Homestead credits		9,349	9,134
PERA aid		1,547	1,547
MNDOT - general	60,000	51,531	75,000
Clean Energy Resource Team	15,000	27,664	25,057
Southwest Minnesota Arts and Humanity Council	5,000	5,000	5,000
Statewide Health Improvement Program	1,900	1,758	
Safe routes to school	25,798	25,431	
DNR grant			11,200
Byway MNHS contract			34,685
Regional tourism			11,216
Total revenues from state sources	<u>107,698</u>	<u>122,280</u>	<u>172,839</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, 2017
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	2017		2016
	Final Budget	Actual	Actual
REVENUES (CONTINUED)			
REVENUES FROM FEDERAL SOURCES			
EDA planning and outmigration grants	54,628	54,628	54,628
Scenic byway corridor	11,349	3,597	2,866
Public transit plan	26,000	26,000	
Safe routes to school			1,603
Hazard mitigation	7,500	6,825	9,029
Total revenues from federal sources	99,477	91,050	68,126
TOTAL REVENUES	912,156	1,585,250	1,616,995
EXPENDITURES			
ADMINISTRATION			
Commission/administration			
Salaries and benefits	139,760	152,782	115,074
Other services and charges	57,500	43,378	32,785
Agency auto		4,060	3,016
Indirect costs	50,845	54,186	45,827
Contract rate		(10,848)	(14,981)
Capital expenditures		4,809	6,564
Total commission/administration	248,105	248,367	188,285
Total administration	248,105	248,367	188,285
PROGRAMS			
EDA - planning continuation grant			
Salaries and benefits	31,237	42,983	45,996
Other services and charges	4,000	2,025	3,306
Indirect costs	18,841	22,237	24,074
Total EDA - planning continuation grant	54,078	67,245	73,376

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, 2017
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	2017		2016
	Final Budget	Actual	Actual
EXPENDITURES (CONTINUED)			
PROGRAMS (CONTINUED)			
Prairie Waters			
Salaries and benefits	46,064	44,922	44,970
Other services and charges	26,110	44,591	28,255
Indirect costs	35,942	33,871	32,993
Total Prairie Waters	<u>108,116</u>	<u>123,384</u>	<u>106,218</u>
Revolving Loan Fund			
Salaries and benefits	26,200	27,605	38,094
Other services and charges	13,000	12,869	5,485
Indirect costs	20,905	19,737	24,229
Total Revolving Loan Fund	<u>60,105</u>	<u>60,211</u>	<u>67,808</u>
Art crawl			
Salaries and benefits	13,708	7,877	12,208
Other services and charges	14,700	24,079	19,883
Indirect costs	6,500	4,737	6,440
Total art crawl	<u>34,908</u>	<u>36,693</u>	<u>38,531</u>
Scenic byway corridor/forecast public arts grant/byway calendar			
Salaries and benefits	3,000	2,237	2,626
Other services and charges		1,376	138
Indirect costs	8,000	1,273	1,353
Total scenic byway corridor/forecast public arts grant/byway calendar	<u>11,000</u>	<u>4,886</u>	<u>4,117</u>
Scenic byway local savings			
Other services and charges	600	7,781	1,812
Total scenic byway local savings	<u>600</u>	<u>7,781</u>	<u>1,812</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, 2017
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	2017		2016
	Final Budget	Actual	Actual
EXPENDITURES (CONTINUED)			
PROGRAMS (CONTINUED)			
Transportation - MNDOT/local			
Salaries and benefits	40,340	39,510	53,610
Other services and charges	4,985	3,471	4,019
Indirect costs	26,802	21,784	34,154
Total MN Department of Transportation - local	<u>72,127</u>	<u>64,765</u>	<u>91,783</u>
Total programs	<u>340,934</u>	<u>364,965</u>	<u>383,645</u>
TECHNICAL ASSISTANCE			
Hazard mitigation plans			
Salaries and benefits	5,000	4,191	19,899
Other services and charges			3,473
Indirect costs	2,400	2,388	13,090
Contract rate		246	
Total hazard mitigation plans	<u>7,400</u>	<u>6,825</u>	<u>36,462</u>
Local Foods			
Salaries and benefits	3,805	3,785	3,518
Other services and charges	100	915	456
Indirect costs	1,700	2,021	1,773
Total local foods	<u>5,605</u>	<u>6,721</u>	<u>5,747</u>
Blandin projects			
Salaries and benefits	10,475	8,921	16,480
Other services and charges	42,300	44,601	4,557
Indirect costs	4,825	5,715	10,167
Contract rate		953	1,062
Total blandin projects	<u>57,600</u>	<u>60,190</u>	<u>32,266</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, 2017
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	2017		2016
	Final Budget	Actual	Actual
EXPENDITURES (CONTINUED)			
TECHNICAL ASSISTANCE (CONTINUED)			
Byway MNHS			
Salaries and benefits	22,500	21,502	16,603
Other services and charges	835	6,735	9,931
Indirect costs	11,075	11,653	8,202
Contract rate		310	
Total byway MNHS	34,410	40,200	34,736
Miscellaneous community contracts			
Salaries and benefits	63,861	57,562	46,767
Other services and charges	3,880	5,953	3,067
Indirect costs	33,577	37,034	28,781
Contract rate		7,312	5,684
Total miscellaneous community contracts	101,318	107,861	84,299
Safe routes to school			
Salaries and benefits			4,082
Other services and charges			2,932
Indirect costs			3,033
Contract rate			3,376
Total safe routes to school			13,423
Clean energy resource team			
Salaries and benefits	18,401	19,240	21,697
Other services and charges	2,900	2,056	836
Indirect costs	10,600	10,275	13,154
Total clean energy resource team	31,901	31,571	35,687
Total technical assistance	238,234	253,368	242,620

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, 2017
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	2017		2016
	Final Budget	Actual	Actual
EXPENDITURES (CONTINUED)			
GRANT WRITING			
Blandin admin, marketing & extension			
Salaries and benefits			1,512
Indirect costs			1,038
Total Blandin admin, marketing & extension			<u>2,550</u>
Miscellaneous			
Salaries and benefits	16,233	14,273	25,678
Other services and charges	400	112	582
Indirect costs	7,884	8,983	14,676
Contract rate		2,027	1,851
Total miscellaneous	<u>24,517</u>	<u>25,395</u>	<u>42,787</u>
Total grant writing	<u>24,517</u>	<u>25,395</u>	<u>45,337</u>
GRANT ADMINISTRATION			
EDA/DNR grant administration			
Salaries and benefits			21,116
Other services and charges			125
Indirect costs			10,488
Contract rate			3,009
Total EDA/DNR grant administration			<u>34,738</u>
SCDP grant administration			
Salaries and benefits	24,900	24,616	35,174
Other services and charges	200	642	309
Indirect costs	16,000	16,653	18,071
Total SCDP grant administration	<u>41,100</u>	<u>41,911</u>	<u>53,554</u>
Total grant administration	<u>41,100</u>	<u>41,911</u>	<u>88,292</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, 2017
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)

	2017		2016
	Final Budget	Actual	Actual
EXPENDITURES (CONTINUED)			
FISCAL AGENT PASS-THROUGH			
City of Appleton - SCDP grant			
Other services and charges		289,098	60,146
Total City of Appleton - SCDP grant		289,098	60,146
City of Benson - SCDP grant			
Other services and charges			190,848
Total City of Benson - SCDP grant			190,848
City of Ortonville - SCDP grant			
Other services and charges			231,935
Total City of Ortonville - SCDP grant			231,935
City of Clara City - SCDP grant			
Other services and charges		330,304	197,870
Total City of Clara City - SCDP grant		330,304	197,870
CGB - SCDP grant			
Other services and charges		10,570	
Total CGB - SDCP grant		10,570	
Appleton ATV Event			
Other services and charges		2,941	3,077
Total Appleton ATV Event		2,941	3,077
Scenic Byway Workshop			
Other services and charges		1,454	2,323
Total Scenic Byway Workshop		1,454	2,323
Total fiscal agent pass-through		634,367	686,199
TOTAL EXPENDITURES	892,890	1,568,373	1,634,378
EXCESS REVENUES OVER (UNDER) EXPENDITURES	19,266	16,877	(17,383)
FUND BALANCE, beginning of year	794,039	794,039	811,422
FUND BALANCE, end of year	813,305	810,916	794,039

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION REGION SIX WEST
 REVOLVING LOAN FUND
 BALANCE SHEETS
 JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
ASSETS		
Restricted cash	561,088	430,739
Loan interest receivable	3,614	3,614
Loans receivable	<u>1,223,486</u>	<u>1,352,498</u>
TOTAL ASSETS	<u><u>1,788,188</u></u>	<u><u>1,786,851</u></u>
 LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable		831
Due to other fund	<u>4,064</u>	<u>4,350</u>
TOTAL LIABILITIES	<u>4,064</u>	<u>5,181</u>
 FUND BALANCE		
Restricted	<u>1,784,124</u>	<u>1,781,670</u>
Total fund balance	<u>1,784,124</u>	<u>1,781,670</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>1,788,188</u></u>	<u><u>1,786,851</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, 2017 AND 2016

	2017	2016
REVENUES		
Revolving loan revenues		
Interest income	5,251	6,497
Closing fees	541	1,316
Total revolving loan revenues	<u>5,792</u>	<u>7,813</u>
Administrative revenues		
Interest income	43,938	44,855
Other fees	5,222	4,556
Total administrative revenues	<u>49,160</u>	<u>49,411</u>
Total revenues	<u>54,952</u>	<u>57,224</u>
EXPENDITURES		
Administrative/Board expenditures		
Administrative contract	49,160	49,411
Total administrative/board expenditures	<u>49,160</u>	<u>49,411</u>
Revolving loan expenditures		
Loan closing expense	3,338	3,363
Total revolving loan expenditures	<u>3,338</u>	<u>3,363</u>
Total expenditures	<u>52,498</u>	<u>52,774</u>
EXCESS OF REVENUES OVER EXPENDITURES	2,454	4,450
FUND BALANCE, beginning of year	<u>1,781,670</u>	<u>1,777,220</u>
FUND BALANCE, end of year	<u><u>1,784,124</u></u>	<u><u>1,781,670</u></u>

SCHEDULES

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
 REGION SIX WEST
 SCHEDULE OF FUNDING - STATE AND FEDERAL SOURCES (UNAUDITED)
 YEAR ENDED JUNE 30, 2017

	Unaudited Federal/State Funds Flow Through (1)	Unaudited Federal/State Admin Funds (1)	State	Total
CERT			27,664	27,664
Clara City SCDP	326,304	12,679		338,983
CGB SCDP	10,570	16,820		27,390
Appleton SCDP	289,098	11,621		300,719
Explore MN Tourism			6,536	6,536
MNDOT - ATP Coordination			51,531	51,531
SRTS			25,431	25,431
Public Art SMAHC			5,000	5,000
	<u>625,972</u>	<u>41,120</u>	<u>116,162</u>	<u>783,254</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.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
 REGION SIX WEST
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2017

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	06-83-05979	163,884	54,628
Title IX Long Term Economic Recovery RLF Grant	11.302	06-39-02302-01	955,000	1,002,552
Disaster Recovery RLF Grant	11.302	06-79-05786	400,000	418,293
Total CFDA # 11.302				<u>1,475,473</u>
U.S. Department of Transportation:				
Pass Through: State of MN Commissioner of Transportation				
Public Transit Plan	20.205	MN-81-0010	26,000	26,000
Byway Coordination Management Play	20.205	SP091-060-102	119,712	3,597
Total CFDA # 20.205				<u>29,597</u>
U.S. Department of Homeland Security - FEMA				
Pass Through: State of MN Commissioner of Public Safety				
Hazard Mitigation Planning Grant	97.039		72,000	6,825
Total CFDA # 97.039				<u>6,825</u>
Total federal expenditures				<u><u>1,511,895</u></u>

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Upper Minnesota Valley Regional Development Commission, Region Six West under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Upper Minnesota Valley Regional Development Commission, Region Six West, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Upper Minnesota Valley Regional Development Commission, Region Six West.

NOTE B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, and OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - Indirect Cost Rate

Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE D - Title IX Long Term Economic Deterioration Revolving Loan Fund

Federal revenue recognized for CFDA #11.302 represents \$33,014 of WMRLF income used for administrative costs, and a cash and investment balance of \$402,120 as of June 30, 2017. This fund has an outstanding loan balance at June 30, 2017 of \$875,735, of which 76.48% is federally funded and 23.52% is locally funded.

NOTE E - Disaster Recovery Revolving Loan Fund

Federal revenue recognized for CFDA #11.302 represents \$16,146 of WMRLF income used for administrative costs, and a cash and investment balance of \$158,968 as of June, 30 2017. This fund has an outstanding loan balance at June 30, 2017 of \$347,752, of which 80.00% is federally funded and 20.00% is locally funded.

ADDITIONAL REPORTS REQUIRED BY THE
UNIFORM GUIDANCE 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, 2017, 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 November 13, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Upper Minnesota Valley Regional Development Commission, Region Six West, 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, Region Six West, Appleton, Minnesota's internal control. 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.

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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency: 2017-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota'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* and which are described in the accompanying schedule of findings and questioned costs.

Upper Minnesota Valley Regional Development Commission's Response to Findings

Upper Minnesota Valley Regional Development Commission's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Upper Minnesota Valley Regional Development 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
November 13, 2017

Dana J. Cole & Company, LLP



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

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 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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether 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, 2017.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Upper 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Montevideo, Minnesota
November 13, 2017

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, 2017

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 2 CFR 200.516 (a) _____ Yes X No

Identification of major programs:

Economic Development – Support for Planning Organizations 11.302

Dollar threshold used to distinguish Between type A and type B programs: \$750,000

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

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

2017-001: Significant Deficiency in Financial Reporting Process

Criteria: Auditing standards require an entity have internal controls in place to insure that their financial statements, including footnote disclosures, are appropriately stated. The entity should possess the ability to prepare financial statements prepared in accordance with generally accepted accounting principles, without assistance from the auditors.

Condition: The Commission's management does not possess the ability to prepare financial statements prepared in accordance with generally accepted accounting principles, nor have they outsourced this function.

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

Effect: The design of the controls over the financial reporting process could affect the ability of the Commission to report their financial data consistently with the assertions of management in the financial statements.

Recommendation: We recommend that Commission management be aware of the responsibilities regarding financial reporting. If management chooses to undertake these financial reporting responsibilities, a number of policies, procedures, and reviews will need to be developed and implemented.

Views of Responsible Officials and Planned Corrective Actions: Upper Minnesota Valley Regional Development Commission, Region Six West agrees with the findings and the recommended procedures and will determine what additional procedures are necessary.

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, 2017

2016-001: Significant Deficiency in Financial Reporting Process

Criteria: The Commission's management should possess the ability to prepare financial statements prepared in accordance with generally accepted accounting principles, without assistance from the auditors.

Condition: The Commission's management does not possess the ability to prepare financial statements prepared in accordance with generally accepted accounting principles, nor have they outsourced the function.

Cause: As part of the audit, management requested the auditors prepare a draft of the financial statements, including the related notes to the financial statements.

Effect: The design of the controls over the financial reporting process could affect the ability of the Commission to report their financial data consistently with the assertions of management in the financial statements.

Recommendation: We recommend that Commission management be aware of the responsibilities regarding financial reporting. If management chooses to undertake these financial reporting responsibilities, a number of policies, procedures, and reviews will need to be developed and implemented.



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

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, 2017, 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 November 13, 2017.

The *Minnesota Legal Compliance Audit Guide for Other 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, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing, because Upper Minnesota Valley Regional Development Commission Region Six West, Appleton, Minnesota does not have any tax increment financing.

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 Other Political Subdivisions*. However, 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 Upper Minnesota Valley Regional Development Commission, Region Six West's noncompliance with the above referenced provisions.

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

Montevideo, Minnesota
November 13, 2017

Dana F. Cole & Company, LLP