

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION

REGION SIX WEST

APPLETON, MINNESOTA

FINANCIAL STATEMENTS

JUNE 30, 2022



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

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION

REGION SIX WEST

APPLETON, MINNESOTA

FINANCIAL STATEMENTS

JUNE 30, 2022

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

	Page
ORGANIZATION	
INDEPENDENT AUDITORS' REPORT	1 – 4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5 – 11
FINANCIAL SECTION	
Basic Financial Statements	
Government-wide Financial Statements	
Statements of Net Position	12 – 13
Statement of Activities	14 – 15
Fund Financial Statements - Governmental Funds	
Balance Sheet	16
Reconciliation of the Balance Sheet to the Statements of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	19
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund	20
NOTES TO FINANCIAL STATEMENTS	21 – 42
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of Employer's Contributions (PERA)	43
Schedule of Employer's Share of Net Pension Liability (PERA)	44
SUPPLEMENTAL INFORMATION	
General Fund - Balance Sheets	45
General Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	46 – 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 (Unaudited)	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 – 60

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

	Page
OTHER REQUIRED REPORTS AND SCHEDULES	
Schedule of Findings and Questioned Costs	61 - 63
Summary Schedule of Prior Year Audit Findings	64
Independent Auditors' Report on Minnesota Legal Compliance	65

INTRODUCTORY SECTION

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
ORGANIZATION

Commissioners:

Commencement of Service:

Big Stone County:

Harold "Rusty" Dimberg
Jay Backer

April 2004
January 2019

Chippewa County:

Jim Schmaedeka
Bill Pauling

March 2011
January 2021

Lac qui Parle County:

Ben Bothun

January 2021

Swift County:

Gary Hendrickx
Aaron Koosmann

January 2006
January 2021

Yellow Medicine County:

Gary L. Johnson
John Cole

January 1993
July 2021

Special Interest Groups:

Diane Kepner
Dawn Regnier
Carrie Bendix
Scott Marquardt

August 2016
April 2018
April 2018
July 2020

School Board

Brett Buer
Bill McGeary

February 2009
July 2017

Municipalities

Jeff Olson
Lucas Olson
Michele Backer
Erich Winter
Denise Hanson

February 2010
July 2017
January 2020
January 2021
February 2021

Officers

Chairperson – Ben Bothun
Vice Chairperson – Jay Backer
Secretary/Treasurer – Brett Buer
Executive Director – Dawn Hegland



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

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Upper Minnesota Valley Regional Development Commission

Report on the Audit of Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Minnesota Valley Regional Development Commission, as of June 30, 2022, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Upper Minnesota Valley Regional Development Commission's ability to continue as a going concern for

twelve months beyond the financial statement date, including any currently know information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Upper Minnesota Valley Regional Development Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Upper Minnesota Valley Regional Development Commission's ability to continue as a going concern for a reasonable period of time.

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

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 5 to 11 and the GASB 68 pension schedules on

pages 43 to 44 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Upper Minnesota Valley Regional Development Commission's basic financial statements. The individual major fund financial statements on pages 45 to 52 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 (CFR) 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. Such information is 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual major fund financial statements and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and schedule of funding – state and federal sources but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the Upper Minnesota Valley Regional Development Commission's basic financial statements for the year ended June 30, 2021, which are not presented with the

accompanying financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Upper Minnesota Valley Regional Development Commission's basic financial statements as a whole. The supplementary information on pages 45 to 52 related to the 2021 financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2021 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 2021 supplementary information is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2022, on our consideration of the Upper Minnesota Valley Regional Development Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Upper Minnesota Valley Regional Development Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Upper Minnesota Valley Regional Development Commission's internal control over financial reporting and compliance.

Montevideo, Minnesota
October 20, 2022

Dana F. Cok - Company, LLP

FINANCIAL SECTION

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, 2022. Please read it in conjunction with the Commission's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2022 are as follows:

- In total, net position increased \$642,810, which represents a 20% increase from fiscal year 2021.
- General revenues accounted for \$345,435 in revenue or 13% of all revenues. Program specific revenues in the forms of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$2,242,548 or 87% of total revenues of \$2,587,983.
- Total assets increased by \$701,281, as current assets increased \$102,422, net capital assets decreased by \$6,791, and noncurrent assets increased by \$605,650.
- The Commission had \$1,945,173 in expenses. These expenses were covered by \$2,242,548 in revenue from program specific charges for services, grants or contributions, and general revenues, primarily local taxes of \$345,435.
- Among major funds, the General Fund had \$2,010,356 in revenues and \$1,944,124 in expenditures. The General Fund's fund balance increased \$66,232 from fiscal year 2021.

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 12-15) 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 16. 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 include 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 deferred outflows of resources and liabilities and deferred inflows of resources - 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, 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, 2022, the Commission's net position is \$3,937,489, an increase of \$642,810 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.

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 provides a summary of the Commission's net position for FY 2022 compared to FY 2021:

Table 1

	2022	2021
Assets		
Current and other assets	4,682,295	3,974,223
Capital assets (net of accumulated depreciation of \$112,443 and \$162,117 for 2022 and 2021)	27,402	34,193
Total assets	4,709,697	4,008,416
Deferred outflows of resources	306,132	157,128
Liabilities		
Current liabilities	343,059	257,600
Long-term liabilities	394,991	533,378
Total liabilities	738,050	790,978
Deferred inflows of resources	340,290	79,887
Net position		
Net investment in capital assets	27,402	34,193
Restricted	3,374,900	2,790,542
Unrestricted	535,187	469,944
Total net position	3,937,489	3,294,679

The \$535,187 of unrestricted net position may be used to meet the Commission's ongoing obligations.

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. 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 \$928,000, rather than \$535,187.

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

FINANCIAL ANALYSIS OF THE COMMISSION AS A WHOLE (Continued)

Changes to Net Position

Governmental activities increased the Commission's net position by \$642,810. Key elements of this net increase are as follows:

Table 2 Change in Net Position			
		<u>2022</u>	<u>2021</u>
Revenues			
Program revenues			
Charges for services		1,005,902	1,706,224
Operating grants and contributions		454,879	300,480
Capital grants and contributions		781,767	705,009
General revenues			
Property taxes		332,977	333,912
State aid		8,636	8,716
Other general revenue		1,072	1,554
Investment earnings		2,750	6,833
Total revenues		<u>2,587,983</u>	<u>3,062,728</u>
Expenses			
Administration		184,271	167,368
Programs		640,455	622,637
Technical assistance		159,416	132,577
Grant administration		113,578	105,215
Grant writing		52,243	47,753
Fiscal agent pass-through		781,767	705,009
Unallocated depreciation		13,443	11,823
Total expenses		<u>1,945,173</u>	<u>1,792,382</u>
Change in net position		642,810	1,270,346
Net position, beginning		<u>3,294,679</u>	<u>2,024,333</u>
Net position, ending		<u><u>3,937,489</u></u>	<u><u>3,294,679</u></u>

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

FINANCIAL ANALYSIS OF THE COMMISSION AS A WHOLE (Continued)

Changes to Net Position (Continued)

Most of the increase in net position relates to a federal grant the Commission received in the current year of \$629,572. This grant was used to disburse loans to borrowers impacted by the COVID 19 pandemic and also to help administer this revolving loan fund. The general fund also received around \$192,532 in COVID 19 related funding.

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

The financial performance of the Commission as a whole is reflected in its governmental funds as well. As the Commission completed the year, its governmental funds reported a combined fund balance of \$4,477,147. This is up from \$3,840,334 at the end of the prior year, an increase of \$636,813. Revenues of the Commission's governmental funds totaled \$2,700,497 while total expenditures were \$2,063,684. A summary of the revenues and expenditures reported on the governmental fund financial statements appears in the table below:

Revenues and Expenditures - Governmental Funds - 2022

	Revenues	Expenditures	Increase/ (Decrease)	Fund Balance 06/30/22
General fund	2,010,356	1,944,124	66,232	1,009,492
Revolving loan fund	690,141	119,560	570,581	3,467,655
Totals	<u>2,700,497</u>	<u>2,063,684</u>	<u>636,813</u>	<u>4,477,147</u>

Revenues and Expenditures - Governmental Funds - 2021

	Revenues	Expenditures	Increase/ (Decrease)	Fund Balance 06/30/21
General fund	1,868,492	1,757,208	111,284	943,260
Revolving loan fund	1,356,498	182,860	1,173,638	2,897,074
Totals	<u>3,224,990</u>	<u>1,940,068</u>	<u>1,284,922</u>	<u>3,840,334</u>

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

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

As of the end of the current fiscal year, the Commission's general fund reported an ending fund balance of \$1,009,492, an increase of \$66,232. The fund balance is currently classified as follows:

Nonspendable	24,180
Restricted	23,365
Committed	50,000
Assigned	118,614
Unassigned	793,333
Total general fund	<u>1,009,492</u>

The revolving loan fund balance is all restricted.

BUDGETARY HIGHLIGHTS

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

- The major variation in the budget to actual occurred because of the grant funds. These are pass-through funds, which do not affect the Commission's fund balances and do not have a budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Commission's investment in capital assets for its activities as of June 30, 2022 was \$27,402 (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 \$394,991 of long-term debt. This consisted of a compensated absence obligation of \$36,273, and the Commission's portion of PERA's unfunded net pension liability of \$358,718. (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.

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

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.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION REGION SIX WEST
STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021

	Governmental Activities	
	2022	2021
ASSETS		
Cash	432,578	444,739
Certificates of deposit	368,676	366,317
Interest receivable	3,614	3,614
Taxes receivable	2,389	2,389
Accounts receivable	10,615	19,484
Due from other governmental units	480,283	342,911
Notes receivable - current	396,490	430,543
Prepaid expenses	24,180	6,406
Total current assets	<u>1,718,825</u>	<u>1,616,403</u>
NON CURRENT ASSETS		
Restricted cash	694,474	393,017
Notes receivable	2,409,296	2,090,903
Allowance for doubtful notes receivable	(140,300)	(126,100)
Total non current assets	<u>2,963,470</u>	<u>2,357,820</u>
CAPITAL ASSETS		
Equipment	139,845	196,310
Less: accumulated depreciation	(112,443)	(162,117)
Total capital assets, net of depreciation	<u>27,402</u>	<u>34,193</u>
TOTAL ASSETS	<u>4,709,697</u>	<u>4,008,416</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to PERA	<u>306,132</u>	<u>157,128</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>306,132</u>	<u>157,128</u>
LIABILITIES		
Accounts and contracts payable	46,051	17,924
Accrued liabilities	46,962	60,262
Unearned revenue	250,046	179,414
Total current liabilities	<u>343,059</u>	<u>257,600</u>
NONCURRENT LIABILITIES		
Net pension liability - PERA	358,718	497,623
Compensated absences payable	36,273	35,755
Total noncurrent liabilities	<u>394,991</u>	<u>533,378</u>
TOTAL LIABILITIES	<u>738,050</u>	<u>790,978</u>

See accompanying notes to financial statements.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION REGION SIX WEST
STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021

	Governmental Activities	
	2022	2021
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to PERA	340,290	79,887
TOTAL DEFERRED INFLOWS OF RESOURCES	340,290	79,887
NET POSITION		
Net investment in capital assets	27,402	34,193
Restricted for:		
Revolving loans	3,327,355	2,770,974
Scenic byway	22,115	12,787
Meander emerging artists	1,250	375
Other projects	24,180	6,406
Unrestricted	535,187	469,944
TOTAL NET POSITION	3,937,489	3,294,679

See accompanying notes to financial statements.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION REGION SIX WEST
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)

		2022			2021	
					Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
		Program Revenues				
			Operating	Capital		
Functions/Programs	Expenses	Charges for Services	Grants and Contributions	Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities						
Administration	184,271	12,320			(171,951)	(158,082)
Programs	640,455	712,418	454,879		526,842	1,109,024
Technical assistance	159,416	160,708			1,292	(3,561)
Grant administration	113,578	90,286			(23,292)	(4,148)
Grant writing	52,243	30,170			(22,073)	(12,079)
Fiscal agent pass-through	781,767			781,767		
Unallocated depreciation	13,443				(13,443)	(11,823)
Total governmental activities	1,945,173	1,005,902	454,879	781,767	297,375	919,331

See accompanying notes to financial statements.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION REGION SIX WEST
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)

	2022	2021
	Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
General revenues		
Property taxes, levied for general purposes	332,977	333,912
State aid	8,636	8,716
Other general revenue	1,072	1,554
Investment earnings	2,750	6,833
Total general revenues	<u>345,435</u>	<u>351,015</u>
CHANGE IN NET POSITION	642,810	1,270,346
NET POSITION, beginning of year	<u>3,294,679</u>	<u>2,024,333</u>
NET POSITION, end of year	<u><u>3,937,489</u></u>	<u><u>3,294,679</u></u>

See accompanying notes to financial statements.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION REGION SIX WEST
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022
(WITH PARTIAL COMPARATIVE INFORMATION AS OF JUNE 30, 2021)

	General	RLF	Total Governmental Funds	
			2022	2021
ASSETS				
Cash	432,578		432,578	444,739
Restricted cash	22,115	672,359	694,474	393,017
Certificates of deposit	368,676		368,676	366,317
Interest receivable		3,614	3,614	3,614
Taxes receivable	2,389		2,389	2,389
Accounts receivable	10,615		10,615	19,484
Due from other fund	14,104		14,104	8,216
Due from other governments	480,283		480,283	342,911
Prepaid expenses	24,180		24,180	6,406
Loans receivable		2,805,786	2,805,786	2,521,446
TOTAL ASSETS	1,354,940	3,481,759	4,836,699	4,108,539
LIABILITIES				
Accounts and contracts payable	46,051		46,051	17,924
Unearned revenue	250,046		250,046	179,414
Due to other fund		14,104	14,104	8,216
Accrued liabilities	46,962		46,962	60,262
Total liabilities	343,059	14,104	357,163	265,816
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	24,180		24,180	6,406
Restricted	23,365	3,467,655	3,491,020	2,910,236
Committed	50,000		50,000	50,000
Assigned	118,614		118,614	112,656
Unassigned	793,333		793,333	761,036
Total fund balances	1,009,492	3,467,655	4,477,147	3,840,334
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	1,354,940	3,481,759	4,836,699	4,108,539

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, 2022 AND 2021

	2022	2021
Total fund balances - governmental funds	4,477,147	3,840,334
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	(140,300)	(126,100)
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets	139,845	196,310
Less: accumulated depreciation	(112,443)	(162,117)
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	(36,273)	(35,755)
Net pension liability - PERA	(358,718)	(497,623)
Deferred inflows & deferred outflows - PERA	(34,158)	77,241
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	<u>3,937,489</u>	<u>3,294,679</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
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)

	General	RLF	Total Governmental Funds	
			2022	2021
REVENUES				
Local property tax levies	332,977		332,977	333,912
Other local and county revenues	1,318,610		1,318,610	1,225,479
Revenues from state sources	96,237		96,237	85,116
Revenues from federal sources	262,532	629,572	892,104	1,486,414
Revolving loan fund revenue		36,920	36,920	14,065
Administrative revenue		23,649	23,649	80,004
Total revenues	<u>2,010,356</u>	<u>690,141</u>	<u>2,700,497</u>	<u>3,224,990</u>
EXPENDITURES				
Current				
Administration	185,802		185,802	174,104
Programs	633,933	119,560	753,493	755,885
Technical assistance	162,878		162,878	137,264
Grant writing	53,575		53,575	49,555
Grant administration	116,773		116,773	109,541
Fiscal agent pass-through	781,767		781,767	705,009
Capital outlay	9,396		9,396	8,710
Total expenditures	<u>1,944,124</u>	<u>119,560</u>	<u>2,063,684</u>	<u>1,940,068</u>
REVENUES OVER EXPENDITURES	66,232	570,581	636,813	1,284,922
FUND BALANCES, beginning of year	<u>943,260</u>	<u>2,897,074</u>	<u>3,840,334</u>	<u>2,555,412</u>
FUND BALANCES, end of year	<u>1,009,492</u>	<u>3,467,655</u>	<u>4,477,147</u>	<u>3,840,334</u>

See accompanying notes to financial statements.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION REGION SIX WEST
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Total net change in fund balances - governmental funds	636,813	1,284,922
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.	(14,200)	(47,400)
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 additions	6,652	5,166
Depreciation expense	(13,443)	(11,823)
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>26,988</u>	<u>39,481</u>
Change in net position - governmental funds	<u><u>642,810</u></u>	<u><u>1,270,346</u></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, 2022

	Original Budget	Final Budget	Actual
REVENUES			
Local property tax levies	339,500	339,500	332,977
Other local and county revenues	485,136	451,766	1,318,610
Revenues from state sources	117,000	114,000	96,237
Revenues from federal sources	330,000	272,000	262,532
	<u>1,271,636</u>	<u>1,177,266</u>	<u>2,010,356</u>
EXPENDITURES			
Current			
Administration	300,500	273,000	185,802
Programs	618,500	599,235	633,933
Technical assistance	255,438	126,404	162,878
Grant writing	10,800	42,100	53,575
Grant administration	48,666	119,200	116,773
Fiscal agent pass through			781,767
Capital outlay			9,396
	<u>1,233,904</u>	<u>1,159,939</u>	<u>1,944,124</u>
REVENUES OVER EXPENDITURES	<u>37,732</u>	<u>17,327</u>	66,232
FUND BALANCE, beginning of year			<u>943,260</u>
FUND BALANCE, end of year			<u>1,009,492</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 three 12 month certificates of deposit, whose cost approximates market.

G. RESTRICTED ASSETS

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. RECEIVABLES

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

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.

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. CAPITAL ASSETS (Continued)

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 3 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.

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. RETIREMENT PLANS (Continued)

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. OTHER POST EMPLOYMENT BENEFITS (OPEB)

In accordance with GASB Statement 75, *Accounting and Financial Reporting for OPEB*, the Commission had a preliminary actuarial valuation performed with a July 1, 2017 valuation/measurement date. The valuation calculated a total OPEB liability, that management determined to be immaterial to the financial statements and was thus not recorded. Management has determined that this liability continues to be immaterial for the year ended June 30, 2022.

P. LEASES

The Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, as of July 1, 2021. A lease liability and a lease asset are recognized at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying assets. The lease liability is measured at the present value of payments expected during the lease term. The lease asset is measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease. The lease liability is reduced as payments are made and interest expense is recognized. The leased asset is generally amortized over the term of the lease unless the useful life of the underlying asset is less. A short-term lease is a lease that at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Short-term leases are expensed in period incurred. Contracts that transfer ownership of the underlying assets or contain a bargain purchase option are recognized as financing contracts. The Commission excludes immaterial leases from the provisions of GASB 87.

Q. 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.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. FUND EQUITY (Continued)

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:

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.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. FUND EQUITY (Continued)

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.

R. 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.
- 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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. RECLASSIFICATION

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

T. 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, 2021, from which the summarized information was derived.

U. NEW PRONOUNCEMENT ADOPTED

The Commission adopted GASB 87 Leases, on July 1, 2021. A lease liability and a lease asset are recognized at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying assets. The lease liability is measured at the present value of payments expected during the lease term. The lease liability is reduced as payments are made and interest expense is recognized. The leased asset is generally amortized over the term of the lease unless the useful life of the underlying asset is less. This new standard was applied retrospectively and had no effect on net position as of July 1, 2021.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded the appropriations during the year ended June 30, 2022 in the following fund. This excess was covered by current year revenues or existing fund balance.

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Expenditures over Appropriations</u>
General Fund	1,159,939	1,944,124	(784,185)

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.

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

NOTE 3. CASH AND INVESTMENTS (Continued)

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, 2022, the Commission was undercollateralized by \$55,924 at one financial institution.

NOTE 4. DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2022 are summarized as follows:

	<u>General</u>
Due from federal government	76,013
Due from state government	251,097
Due from local governments	<u>153,173</u>
Total	<u><u>480,283</u></u>

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. All loans funded by the EDA CARES RLF were given 24 months of repayments at 0% before interest starts accruing. As of June 30, 2022, there were 43 loans outstanding totaling \$2,805,786. Loans receivable as of June 30, 2022 are as follows:

	<u>Maturity Date</u>	<u>Repayment Terms</u>	<u>Interest Rate</u>	<u>Balance 06/30/22</u>
10th Avenue Rebuilders LLC	11/15/26	1,574/mo.	0.00%	177,806
After 5 Supper Club	10/05/23	366/mo.	5.00%	36,000
Anderson- TeBeest Funeral Home	04/01/25	970/mo.	4.50%	30,927
Anderson- TeBeest Funeral Home	02/15/26	1,000/mo.	0.00%	44,000
Appleton Power Equipment	12/01/28	541/mo.	4.00%	29,247
BKP Jewelers LLC	08/01/27	519/mo.	4.00%	29,243
Books by Kelly	03/15/25	122/mo.	2.44%	3,827
Clara City Foods	04/01/26	2,056/mo.	2.44%	90,191
Custom Roto-Mold, LLC	07/01/31	1,667/mo.	0.00%	180,000

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

NOTE 5. LOANS RECEIVABLE (Continued)

	Maturity Date	Repayment Terms	Interest Rate	Balance 06/30/22
Devos Paint & Body	01/01/28	1,048/mo.	0.00%	70,190
Donner's Garage, Inc	03/01/27	908/mo.	0.00%	160,775
Donner's Service, Inc. - Note A	04/15/27	203/mo.	0.00%	36,094
Donner's Service, Inc. - Note B	04/15/27	1,209/mo.	4.00%	162,208
Evenson Properties LLC	02/15/31	896/mo.	0.00%	93,167
Falls Café and Canoe	08/01/25	285/mo.	5.00%	10,081
Fernholz Concrete, LLC	06/15/26	267/mo.	0.00%	28,800
Granite Falls Dairy Queen	11/01/22	1,013/mo.	4.00%	2,421
Granite Falls Woodworks Inc	10/15/30	425/mo.	0.00%	42,500
Handeland Granite Falls, LLC	08/15/31	561/mo.	0.00%	95,396
Headquarters Bar Inc.	11/01/28	1,092/mo.	5.50%	66,624
Jamers 1 Stop	03/15/23	373/mo.	4.50%	4,569
JAT Holdings, LLC	03/15/31	1,111/mo.	0.00%	183,333
Krave Wellness Studio, LLC	08/01/24	491/mo.	5.00%	13,735
Lien Lumber LLC	10/15/30	750/mo.	0.00%	75,000
Lumpy's LLC	12/01/22	566/mo.	5.00%	7,035
Madsen Family Chiropractic PLLC	01/01/31	975/mo.	0.00%	100,425
Marathon Holdings LLC	07/01/34	791/mo.	5.00%	88,842
Merritt Construction, Inc.	08/01/22	104/mo.	4.50%	206
Montevideo Design Group, LLC	03/01/26	1,667/mo.	0.00%	175,000
Montevideo River Side Auto Body LLC	07/15/31	278/mo.	0.00%	46,944
Northern Geo	04/15/26	1,014/mo.	2.44%	44,482
Northern Geo II	01/15/22	820/mo.	4.25%	43,536
SEWearable Designs, Inc.	03/04/27	282/mo.	4.50%	15,354
Stony Ridge Foods, Inc.	07/01/30	2,025/mo.	4.00%	167,626
Streblow Family Enterprise, LLC	09/15/29	530/mo.	5.00%	40,522
Sunshine & Whiskey Fill Station LLC	10/15/30	644/mo.	0.00%	64,250
The Dryer Doctors, LLC	08/15/27	353/mo.	4.50%	20,632
The Dryer Doctors, LLC	08/15/29	290/mo.	4.50%	22,318
The Sawmill	04/15/27	204/mo.	4.00%	19,841
Trish's Catering	06/15/27	390/mo.	4.25%	23,602
Wager Chiropractic PLLC	05/15/26	330/mo.	0.00%	35,285
Western Consolidated Cooperative	10/15/27	2,050/mo.	4.25%	116,904
Williams Family Companies LLC	01/15/31	656/mo.	0.00%	106,848
				<u>2,805,786</u>

Upon repayment this money will be available for additional loans. The Commission does not require collateral on all of the above loans and the adequacy of collateral cannot be readily determined. This creates potential risk to the Commission that the above amounts may not be fully collectible. The Commission has reserved a portion of their special revenue fund balance for these loans. During the 2020 COVID pandemic, the Commission granted payment deferments to any borrower. During the deferment period, interest still accrued.

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

NOTE 6. UNEARNED REVENUE

The amounts of Unearned Revenue at June 30, 2022 are summarized as follows:

	<u>Grants</u>
General	<u>250,046</u>

NOTE 7. LEASE OBLIGATIONS

During fiscal year 2018, 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 \$315. Lease expense related to the copier was \$3,783 in fiscal year 2022. GASB Statement No. 87 was not applied to this lease as the balance was not material. Future minimum operating lease commitments are as follows:

Year ending June 30	
	2023
	<u>1,575</u>
Total	<u>1,575</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, 2022.

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, 2022 were \$305,169.

NOTE 9. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2022 is as follows:

	<u>Equipment</u>
Cost at June 30, 2021	196,310
Additions	6,652
Disposals	<u>(63,117)</u>
Cost at June 30, 2022	<u>139,845</u>

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

NOTE 9. CAPITAL ASSETS (Continued)

Accumulated depreciation activity for the year ended June 30, 2022 is as follows:

	<u>Equipment</u>
Accumulated depreciation at June 30, 2021	162,117
Additions	13,443
Disposals	<u>(63,117)</u>
Accumulated depreciation at June 30, 2022	<u>112,443</u>
Capital assets net of accumulated depreciation at June 30, 2022	<u>27,402</u>

Depreciation expense of \$13,443 for the year ended June 30, 2022 was charged to the following governmental functions:

Unallocated depreciation	<u>13,443</u>
Total depreciation expense	<u>13,443</u>

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, 2021	Additions	Retirements	June 30, 2022
<u>35,755</u>	<u>50,353</u>	<u>49,835</u>	<u>36,273</u>
<u>35,755</u>	<u>50,353</u>	<u>49,835</u>	<u>36,273</u>

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

NOTE 11. FUND BALANCES

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

	General Fund	Revolving Loan Fund	Total
Nonspendable:			
Prepaid items	24,180		24,180
Restricted:			
Revolving Loan Fund		3,467,655	3,467,655
Scenic Byway Savings	22,115		22,115
Meander Emerging Artists	1,250		1,250
Committed:			
Medical Reimbursement Allocation	24,000		24,000
Compensated Absences	16,000		16,000
Unemployment	10,000		10,000
Assigned			
Prior Year Match/Hedge Hog Assigned	18,614		18,614
Between Tax Settlements	100,000		100,000
Unassigned	793,333		793,333
Total Fund Balances	<u>1,009,492</u>	<u>3,467,655</u>	<u>4,477,147</u>

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.

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

NOTE 12. RISK MANAGEMENT - CLAIMS AND JUDGEMENTS (Continued)

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, 2022, 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.

During the year, the Commission received a grant from the U.S. Department of Commerce Economic Development Administration (EDA) for \$400,000 to provide economic development loans. This grant requires a match from the counties of \$100,000.

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*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

The General Employees Retirement Plan covers certain full time and part-time employees of the Commission. General Employees Plan 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. 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.

General Employees Plan 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

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

NOTE 14. DEFINED BENEFIT PENSION PLAN (Continued)

B. BENEFITS PROVIDED (Continued)

service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years 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.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

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 6.50 percent of their annual covered salary in fiscal year 2022 and the Commission was required to contribute 7.50 percent for Coordinated Plan members. The Commission's contributions to the General Employees Fund for the year ended June 30, 2022 were \$47,573. The Commission's contributions were equal to the required contribution as set by state statute.

D. PENSION COSTS

At June 30, 2022, the Commission reported a liability of \$358,718 for its proportionate share of the General Employees Fund's net pension liability. The Commission's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. 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 of Minnesota's proportionate share of the net pension liability associated with the Commission's totaled \$10,883.

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

NOTE 14. DEFINED BENEFIT PENSION PLAN (Continued)

D. PENSION COSTS (Continued)

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportionate share 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, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The Commission's proportionate share was 0.0084%, at the end of the measurement period and 0.0083% for the beginning of the period.

Commission's proportionate share of the net pension liability	358,718
State of Minnesota's proportionate share of the net pension liability associated with the Commission	<u>10,883</u>
Total	<u>369,601</u>

For the year ended June 30, 2022, the Commission recognized pension expense of \$30,137 for its proportionate share of the General Employees Plan's pension expense. In addition, the Commission recognized \$878 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

At June 30, 2022, the Commission reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	1,863	10,963
Changes in actuarial assumptions	219,026	7,481
Net collective difference between projected and actual investment earnings		310,752
Changes in proportion	37,670	11,094
Contributions paid to PERA subsequent to the measurement date	<u>47,573</u>	
Total	<u>306,132</u>	<u>340,290</u>

The \$47,573 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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

NOTE 14. DEFINED BENEFIT PENSION PLAN (Continued)

D. PENSION COSTS (Continued)

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	Pension Expense Amount
2023	(8,035)
2024	12,478
2025	(1,440)
2026	(84,734)
Thereafter	
Total	<u>(81,731)</u>

E. LONG-TERM EXPECTED RETURN ON INVESTMENT

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return 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. 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 Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total	<u>100%</u>	

F. ACTUARIAL METHODS AND ASSUMPTIONS

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

NOTE 14. DEFINED BENEFIT PENSION PLAN (Continued)

F. ACTUARIAL METHODS AND ASSUMPTIONS (Continued)

Inflation is assumed to be 2.25 percent for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25 percent for the plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent per year thereafter.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The table is adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2021:

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

G. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2021 was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. 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.

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

NOTE 14. DEFINED BENEFIT PENSION PLAN (Continued)

H. PENSION LIABILITY SENSITIVITY

The following presents the Commission's proportionate share of the net pension liability for the plan it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity Analysis
Net Pension Liability (Asset) at Different Discount Rates

1% Lower	5.50%	731,601
Current Discount Rate	6.50%	358,718
1% Higher	7.50%	52,744

I. PENSION PLAN FIDUCIARY NET POSITION

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

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%
June 30, 2018	\$39,670	\$39,670	\$0	\$528,933	7.50%
June 30, 2019	\$37,812	\$37,812	\$0	\$504,158	7.50%
June 30, 2020	\$44,218	\$44,218	\$0	\$589,573	7.50%
June 30, 2021	\$45,502	\$45,502	\$0	\$606,693	7.50%
June 30, 2022	\$47,573	\$47,573	\$0	\$634,307	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%
June 30, 2017	0.0074%	\$472,411	\$477,467	98.94%	75.90%
June 30, 2018	0.0079%	\$438,260	\$528,933	82.86%	79.53%
June 30, 2019	0.0071%	\$392,543	\$504,158	77.86%	80.20%
June 30, 2020	0.0083%	\$497,623	\$589,573	84.40%	79.06%
June 30, 2021	0.0084%	\$358,718	\$606,693	59.13%	87.00%

* 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, 2022 AND 2021

	2022	2021
ASSETS		
Cash	432,578	444,739
Restricted cash	22,115	12,787
Certificates of deposit	368,676	366,317
Taxes receivable - delinquent	2,389	2,389
Accounts receivable	10,615	19,484
Due from other fund	14,104	8,216
Due from other governments	480,283	342,911
Prepaid expenses	24,180	6,406
TOTAL ASSETS	<u>1,354,940</u>	<u>1,203,249</u>
LIABILITIES		
Accounts and contracts payable	46,051	17,924
Unearned revenue - grants	250,046	179,414
Accrued liabilities	46,962	60,262
Total liabilities	<u>343,059</u>	<u>257,600</u>
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue - delinquent taxes	2,389	2,389
Total deferred inflows of resources	<u>2,389</u>	<u>2,389</u>
FUND BALANCES		
Nonspendable	24,180	6,406
Restricted	23,365	13,162
Committed	50,000	50,000
Assigned	118,614	112,656
Unassigned	793,333	761,036
Total fund balances	<u>1,009,492</u>	<u>943,260</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>1,354,940</u>	<u>1,203,249</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, 2022
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)

	2022		2021
	Final Budget	Actual	Actual
REVENUES			
LOCAL PROPERTY TAX LEVIES			
Local levies	339,500	332,977	333,912
Total local property tax levies	<u>339,500</u>	<u>332,977</u>	<u>333,912</u>
OTHER LOCAL AND COUNTY REVENUES			
Reimbursement from WMRLF	103,000	113,392	162,262
Revenue from cities/counties/hedge hog	232,516	280,584	269,480
Agency auto/equipment replacement		11,363	9,286
Regional tourism/byway activities	108,000	120,172	70,819
Local pass-thru		780,217	701,286
Interest revenue	3,000	2,750	6,833
Southwest MN Foundation	4,000	2,130	
Miscellaneous revenue	1,250	8,002	5,513
Total other local and county revenues	<u>451,766</u>	<u>1,318,610</u>	<u>1,225,479</u>
REVENUES FROM STATE SOURCES			
Ag/Homestead credits		8,637	8,716
MNDOT - general	75,000	75,000	75,000
MNDOT - local human services plan	32,000		
Southwest Minnesota Arts and Humanity Council	7,000	12,600	1,400
Total revenues from state sources	<u>114,000</u>	<u>96,237</u>	<u>85,116</u>
REVENUES FROM FEDERAL SOURCES			
EDA planning and outmigration grants	70,000	70,000	70,000
EDA cares act	202,000	192,532	153,985
Total revenues from federal sources	<u>272,000</u>	<u>262,532</u>	<u>223,985</u>
TOTAL REVENUES	<u>1,177,266</u>	<u>2,010,356</u>	<u>1,868,492</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, 2022
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)

	2022		2021
	Final Budget	Actual	Actual
EXPENDITURES			
ADMINISTRATION			
Commission/administration			
Salaries and benefits	91,000	105,517	114,382
Other services and charges	150,000	57,402	53,921
Agency auto		1,928	1,512
Indirect costs	32,000	33,236	33,378
Contract rate		(12,281)	(29,089)
Capital expenditures		9,396	8,710
Total commission/administration	<u>273,000</u>	<u>195,198</u>	<u>182,814</u>
Total administration	<u>273,000</u>	<u>195,198</u>	<u>182,814</u>
PROGRAMS			
EDA - planning continuation grant			
Salaries and benefits	45,500	53,288	48,233
Other services and charges	500	848	447
Indirect costs	24,000	28,868	23,658
Total EDA - planning continuation grant	<u>70,000</u>	<u>83,004</u>	<u>72,338</u>
Prairie Waters			
Salaries and benefits	42,000	42,775	23,973
Other services and charges	40,000	40,216	23,711
Indirect costs	25,000	26,310	16,453
Total Prairie Waters	<u>107,000</u>	<u>109,301</u>	<u>64,137</u>
Revolving Loan Fund			
Salaries and benefits	70,000	72,670	110,159
Other services and charges	4,000	4,953	3,228
Indirect costs	35,000	35,769	53,834
Total Revolving Loan Fund	<u>109,000</u>	<u>113,392</u>	<u>167,221</u>
Art crawl			
Salaries and benefits	14,000	14,196	
Other services and charges	14,000	14,495	21,640
Indirect costs	9,000	9,036	
Total art crawl	<u>37,000</u>	<u>37,727</u>	<u>21,640</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, 2022
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)

	2022		2021
	Final Budget	Actual	Actual
EXPENDITURES (CONTINUED)			
PROGRAMS (CONTINUED)			
Scenic byway local savings			
Other services and charges		9,741	5,469
Total scenic byway local savings		9,741	5,469
Transportation - MNDOT/local			
Salaries and benefits	58,235	47,983	42,350
Other services and charges	2,000	1,936	68
Indirect costs	28,000	30,493	26,652
Contract rate		7,823	19,166
Total MN Department of Transportation - local	88,235	88,235	88,236
EDA cares act			
Salaries and benefits	80,000	80,118	85,465
Other services and charges	60,000	62,551	17,047
Indirect costs	48,000	49,864	51,472
Total EDA cares act	188,000	192,533	153,984
Total programs	599,235	633,933	573,025
TECHNICAL ASSISTANCE			
Hazard mitigation plans			
Salaries and benefits	6,500	6,239	
Indirect costs	3,500	3,370	
Total hazard mitigation plans	10,000	9,609	
Byway MNHS			
Salaries and benefits		21,085	4,692
Other services and charges		29,676	
Indirect costs		8,857	1,908
Total byway MNHS		59,618	6,600
Miscellaneous community contracts			
Salaries and benefits	60,000	53,857	76,291
Other services and charges	26,404	10,331	16,046
Indirect costs	30,000	27,807	33,657
Contract rate		1,656	4,670
Total miscellaneous community contracts	116,404	93,651	130,664
Total technical assistance	126,404	162,878	137,264

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, 2022
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)

	<u>2022</u>		<u>2021</u>
	Final Budget	Actual	Actual
EXPENDITURES (CONTINUED)			
GRANT WRITING			
Miscellaneous			
Salaries and benefits	23,500	29,451	30,670
Other services and charges	500	9,459	362
Indirect costs	10,100	11,863	13,078
Contract rate	8,000	2,802	5,445
Total miscellaneous	<u>42,100</u>	<u>53,575</u>	<u>49,555</u>
Total grant writing	<u>42,100</u>	<u>53,575</u>	<u>49,555</u>
GRANT ADMINISTRATION			
City of Browns Valley grant administration			
Salaries and benefits			636
Indirect costs			278
Contract rate			(192)
Total City of Browns Valley grant administration			<u>722</u>
EDA/DNR grant administration			
Salaries and benefits	1,200	656	
Indirect costs	400	281	
Total EDA/DNR grant administration	<u>1,600</u>	<u>937</u>	
CDBG grant administration			
Salaries and benefits	37,000	36,630	
Other services and charges	100	222	
Indirect costs	20,000	18,904	
Total CDBG grant administration	<u>57,100</u>	<u>55,756</u>	
SCDP grant administration			
Salaries and benefits	40,000	38,394	70,762
Other services and charges	500	1,176	537
Indirect costs	20,000	20,510	37,520
Total SCDP grant administration	<u>60,500</u>	<u>60,080</u>	<u>108,819</u>
Total grant administration	<u>119,200</u>	<u>116,773</u>	<u>109,541</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, 2022
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)

	2022		2021
	Final Budget	Actual	Actual
EXPENDITURES (CONTINUED)			
FISCAL AGENT PASS-THROUGH			
City of Appleton - SCDP grant			
Other services and charges		63,501	
Total City of Benson - SCDP grant		63,501	
City of Benson - SCDP grant			
Other services and charges		3,150	63,274
Total City of Benson - SCDP grant		3,150	63,274
City of Canby - SCDP grant			
Other services and charges		199,683	17,987
Total City of Canby - SCDP grant		199,683	17,987
City of Clara City - SCDP grant			
Other services and charges		2,250	
Total City of Benson - SCDP grant		2,250	
City of Clarkfield - SCDP grant			
Other services and charges		302,925	353,352
Total City of Clarkfield - SCDP grant		302,925	353,352
City of Dawson - SCDP grant			
Other services and charges		450	
Total City of Dawson - SCDP grant		450	
City of Granite Falls - SCDP grant			
Other services and charges		181,429	169,621
Total City of Granite Falls - SCDP grant		181,429	169,621
Milan/Watson - SCDP grant			
Other services and charges		28,379	100,775
Total Milan/Watson - SCDP grant		28,379	100,775
Total fiscal agent pass-through		781,767	705,009
TOTAL EXPENDITURES	1,159,939	1,944,124	1,757,208
EXCESS REVENUES OVER EXPENDITURES	17,327	66,232	111,284
FUND BALANCE, beginning of year	943,260	943,260	831,976
FUND BALANCE, end of year	960,587	1,009,492	943,260

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION REGION SIX WEST
 REVOLVING LOAN FUND
 BALANCE SHEETS
 JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
ASSETS		
Restricted cash	672,359	380,230
Loan interest receivable	3,614	3,614
Loans receivable	<u>2,805,786</u>	<u>2,521,446</u>
TOTAL ASSETS	<u>3,481,759</u>	<u>2,905,290</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Due to other fund	<u>14,104</u>	<u>8,216</u>
TOTAL LIABILITIES	<u>14,104</u>	<u>8,216</u>
FUND BALANCE		
Restricted	<u>3,467,655</u>	<u>2,897,074</u>
Total fund balance	<u>3,467,655</u>	<u>2,897,074</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>3,481,759</u>	<u>2,905,290</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, 2022 AND 2021

	2022	2021
REVENUES		
Revolving loan revenues		
Federal revenue	539,829	1,180,171
Interest income	35,118	11,266
Closing fees	1,802	2,799
Total revolving loan revenues	<u>576,749</u>	<u>1,194,236</u>
Administrative revenues		
Federal revenue	89,743	82,258
Interest income	12,260	56,021
Other fees	11,389	23,983
Total administrative revenues	<u>113,392</u>	<u>162,262</u>
Total revenues	<u>690,141</u>	<u>1,356,498</u>
EXPENDITURES		
Administrative/Board expenditures		
Administrative contract	113,392	162,262
Total administrative/board expenditures	<u>113,392</u>	<u>162,262</u>
Revolving loan expenditures		
Loan closing expense	6,168	13,061
Bad debt expense		7,537
Total revolving loan expenditures	<u>6,168</u>	<u>20,598</u>
Total expenditures	<u>119,560</u>	<u>182,860</u>
EXCESS OF REVENUES OVER EXPENDITURES	570,581	1,173,638
FUND BALANCE, beginning of year	<u>2,897,074</u>	<u>1,723,436</u>
FUND BALANCE, end of year	<u><u>3,467,655</u></u>	<u><u>2,897,074</u></u>

SCHEDULES

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
SCHEDULE OF FUNDING - STATE AND FEDERAL SOURCES (UNAUDITED)
YEAR ENDED JUNE 30, 2022

	Federal/State Funds Flow Through (1)	Federal/State Admin Funds (1)	State	Total
Benson SCDP	3,150	9,840		12,990
Dawson SCDP	450	10,541		10,991
Granite Falls SCDP	181,429			181,429
Appleton SCDP	63,501	3,462		66,963
Canby SCDP	200,133			200,133
Milan/Watson SCDP	28,379	7,102		35,481
Clara City SCDP	2,250			2,250
Clarkfield SCDP	300,925	2,198		303,123
Appleton CDBG		32,257		32,257
Madison CDBG		23,499		23,499
Explore MN Tourism			14,270	14,270
Local Human Services Plan			33,185	33,185
MNDOT - ATP Coordination			75,000	75,000
Public Art SMAHC			12,600	12,600
	<u>780,217</u>	<u>88,899</u>	<u>135,055</u>	<u>1,004,171</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, 2022

Federal Grantor/ Pass-through Grantor/ Program Title	Assistance Listing Number	Grant Number	Award Amount	Expenditures Recognized
U.S. Department of Commerce:				
(01) 301(B) EDA Planning Continuation Grant	11.302	ED21CHI3020017	192,500	70,000
Total CFDA # 11.302				<u>70,000</u>
CARES RLF Grant - COVID 19	11.307	06-79-06224	1,892,000	1,810,118
EDA Cares Act Supplemental Grant - COVID 19	11.307	EDA20CHI3070045	400,000	192,532
Total CFDA # 11.307				<u>2,002,650</u>
Total U.S. Department of Commerce				<u>2,072,650</u>
Total federal expenditures				<u><u>2,072,650</u></u>

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

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, 2022. 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, 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 - CARES RECOVERY REVOLVING LOAN FUND

Federal revenue recognized for CFDA #11.307 represents \$89,743 of WMRLF income used for administrative costs, and a cash and investment balance of \$184,561 as of June 30, 2022. This fund has an outstanding loan balance at June 30, 2022, of \$1,535,814, of which 100% is federally funded.

NOTE E - SUBRECIPIENTS

The Commission expended no awards to subrecipients during the year.

**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**

To the Board of Commissioners
Upper Minnesota Valley Regional Development Commission

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, each major fund, and the aggregate remaining fund information of the Upper Minnesota Valley Regional Development Commission, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Upper Minnesota Valley Regional Development Commission's basic financial statements and have issued our report thereon dated October 20, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Upper Minnesota Valley Regional Development Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Upper Minnesota Valley Regional Development Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Upper Minnesota Valley Regional Development Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Upper Minnesota Valley Regional Development Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and questioned costs as item 2022-002.

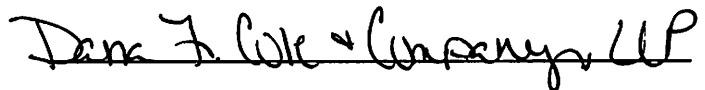
Upper Minnesota Valley Regional Development Commission's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Upper Minnesota Valley Regional Development Commission's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Upper Minnesota Valley Regional Development Commission's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Montevideo, Minnesota
October 20, 2022

A handwritten signature in black ink that reads "Dan F. Cole & Company LLP". The signature is written in a cursive, flowing style.



**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**

To the Board of Commissioners
Upper Minnesota Valley Regional Development Commission

Report on Compliance for Each Major Federal Program

Opinion on Major Federal Program

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

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

Basis for Opinion on Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Upper Minnesota Valley Regional Development Commission's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Upper Minnesota Valley Regional Development Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Upper Minnesota Valley Regional Development Commission's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance

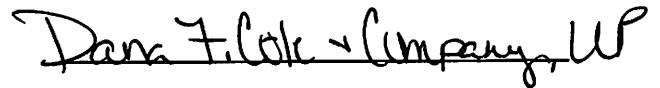
requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Montevideo, Minnesota
October 20, 2022

 Dana F. Cole - Company, LP

OTHER REQUIRED REPORTS AND SCHEDULES

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

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: X _____ Yes _____ 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 Adjustment Assistance 11.307

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, 2022

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

2022-001: 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.

Condition: The Commission relies on audit staff to prepare financial statements and disclosures required by generally accepted accounting principles (GAAP).

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

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

B. FINDINGS – FINANCIAL STATEMENTS AUDIT (Continued)

2022-002: Noncompliance – Undercollateralization of the Commission's Deposits

Criteria: The Commission should have enough collateral to cover their deposits in excess of FDIC insurance at year-end and throughout the year.

Conditions: The Commission does not have adequate collateral to cover their excess deposits due to the financial institution's selection of an unauthorized pledged security.

Cause: One of the Commission's financial institutions assigned collateral in which one of the pledges was a revenue obligation bond. The S&P rating for the revenue obligation bond did not meet the minimum rating requirements. Due to the pledge of a revenue obligation bond below the minimum rating requirements, the Commission's coverage at this financial institution was reduced by \$194,840.

Effect: Because the Commission could not use the pledged revenue obligation bond as collateral, they were undercollateralized \$55,924 at year end.

Recommendation: We recommend management discuss this with their financial institution to ensure that their pledged securities meet the proper rating requirements.

Response: The Commission will work with the financial institution to ensure all pledged securities meet the rating requirements.

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, 2022

2021-001: Significant Deficiency in Financial Reporting Process

Condition: The Commission relied on audit staff to prepare financial statements and disclosures required by generally accepted accounting principles (GAAP).

Recommendation: The auditors recommended that Commission management be aware of the responsibilities regarding financial reporting. Management has decided not to undertake the financial reporting responsibilities, related to financial statement preparation.

Current Status: The recommendations were not implemented and this is still a finding in the fiscal year 2022 audit.

MINNESOTA LEGAL COMPLIANCE



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

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Commissioners
Upper Minnesota Valley Regional Development Commission

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, each major fund, and the aggregate remaining fund information of the Upper Minnesota Valley Regional Development Commission as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Upper Minnesota Valley Regional Development Commission's basic financial statements, and have issued our report thereon dated October 20, 2022.

In connection with our audit, we noted that the Upper Minnesota Valley Regional Development Commission failed to comply with the provisions of the depositories of public funds and public investments of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters as described in the schedule of findings and questioned costs as item 2022-002. Also, in connection with our audit, nothing came to our attention that caused us to believe that the Upper Minnesota Valley Regional Development Commission failed to comply with the provisions of the contracting – bid laws, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, insofar as they relate to accounting matters. 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 the Upper Minnesota Valley Regional Development Commission's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Government Auditing Standards requires the auditor to perform limited procedures on Upper Minnesota Valley Regional Development Commission's response to the legal compliance finding identified in our audit and described in the accompanying schedule of findings and questioned costs as item 2022-002. 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 the response.

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
October 20, 2022