

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION

REGION SIX WEST

APPLETON, MINNESOTA

FINANCIAL STATEMENTS

JUNE 30, 2024



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

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION

REGION SIX WEST

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FINANCIAL STATEMENTS

JUNE 30, 2024

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REGION SIX WEST
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REGION SIX WEST
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INTRODUCTORY SECTION

**UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
ORGANIZATION**

Commissioners:

Commencement of Service:

Big Stone County:

Harold "Rusty" Dimberg
Chad Zimmer

April 2004
January 2023

Chippewa County:

Jim Schmaedeka
Bill Pauling

March 2011
January 2021

Lac qui Parle County:

Ben Bothun
Jann Oellien

January 2021
February 2023

Swift County:

Gary Hendrickx
Aaron Koosmann

January 2006
January 2021

Yellow Medicine County:

John Berends
John Cole

September 2022
July 2021

Special Interest Groups:

Diane Kepner
Linda Pesch
Carrie Bendix
Scott Marquardt

August 2016
July 2022
April 2018
July 2020

School Board

Brett Buer
Harmon Wilts

February 2009
January 2024

Municipalities

Jeff Olson
Erich Winter
Farcis Chalupnik

February 2010
January 2021
November 2023

Officers

Chairperson - Ben Bothun
Vice Chairperson - Brett Buer
Secretary/Treasurer - Aaron Koosman
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, 2024, 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, 2024, 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 known 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, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Upper 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.

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 54 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 statements, 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.

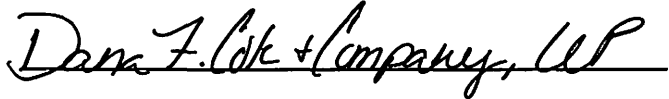
We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the Upper Minnesota Valley Regional Development Commission's basic financial statements for the year ended June 30, 2023, which are not presented with the accompanying financial 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 54 related to the 2023 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 2023 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 2023 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 November 19, 2024, 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
November 19, 2024



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, 2024. Please read it in conjunction with the Commission's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2024 are as follows:

- In total, net position increased \$129,900, which represents a 3% increase from fiscal year 2023.
- General revenues accounted for \$378,151 in revenue or 8% of all revenues. Program specific revenues in the forms of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$4,123,616 or 92% of total revenues of \$4,501,767.
- Total assets increased by \$879,967, as current assets decreased \$1,306,505, net capital assets increased by \$81,271, and noncurrent assets increased by \$345,267.
- The Commission had \$4,371,777 in expenses. These expenses were covered by \$4,123,616 in revenue from program specific charges for services, grants or contributions, and general revenues, primarily local taxes of \$378,151.
- Among major funds, the General Fund had \$4,220,543 in revenues and \$4,272,552 in expenditures. The General Fund's fund balance decreased \$52,009 from fiscal year 2023.

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, 2024, the Commission's net position is \$4,148,377, an increase of \$129,900 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 2024 compared to FY 2023:

Table 1

	2024	2023
Assets		
Current and other assets	5,053,681	6,014,919
Capital assets (net of accumulated depreciation of \$143,287 and \$125,756 for 2024 and 2023)	95,360	14,089
Total assets	5,149,041	6,029,008
 Deferred outflows of resources	 192,130	 260,964
 Liabilities		
Current liabilities	424,059	1,527,553
Long-term liabilities	609,346	734,258
Total liabilities	1,033,405	2,261,811
 Deferred inflows of resources	 159,389	 9,774
 Net position		
Net investment in capital assets	21,268	14,089
Restricted	3,838,030	3,620,678
Unrestricted	289,079	383,620
Total net position	4,148,377	4,018,387

The \$289,079 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 \$770,800 rather than \$289,079.

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 \$80,898. Key elements of this net increase are as follows:

Table 2
Change in Net Position

	<u>2024</u>	<u>2023</u>
Revenues		
Program revenues		
Charges for services	937,781	914,388
Operating grants and contributions	295,105	184,627
Capital grants and contributions	2,890,730	5,167,660
General revenues		
Property taxes	351,081	344,298
State aid	9,473	8,690
Other general revenue	3,180	897
Investment earnings	14,417	1,717
Total revenues	<u>4,501,767</u>	<u>6,622,277</u>
Expenses		
Administration	265,605	343,408
Programs	807,399	631,712
Technical assistance	120,078	182,739
Grant administration	158,372	167,832
Grant writing	103,746	34,715
Fiscal agent pass-through	2,896,764	5,167,660
Interest expense	2,282	
Unallocated depreciation	17,531	13,313
Total expenses	<u>4,371,777</u>	<u>6,541,379</u>
Change in net position	129,990	80,898
Net position, beginning	<u>4,018,387</u>	<u>3,937,489</u>
Net position, ending	<u>4,148,377</u>	<u>4,018,387</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 \$200,000. This grant was used to disburse loans to borrowers and also to help administer this revolving loan fund.

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 \$4,785,633. This is up from \$4,636,877 at the end of the prior year, an increase of \$148,756. Revenues of the Commission's governmental funds totaled \$4,549,880 while total expenditures were \$4,401,124. A summary of the revenues and expenditures reported on the governmental fund financial statements appears in the table below:

Revenues and Expenditures - Governmental Funds - 2024

	Revenues	Expenditures	Increase/ (Decrease)	Fund Balance 6/30/24
General fund	4,220,543	4,272,552	(52,009)	842,274
Revolving loan fund	329,337	128,572	200,765	3,943,359
Totals	<u>4,549,880</u>	<u>4,401,124</u>	<u>148,756</u>	<u>4,785,633</u>

Revenues and Expenditures - Governmental Funds - 2023

	Revenues	Expenditures	Increase/ (Decrease)	Fund Balance 6/30/23
General fund	6,341,047	6,456,256	(115,209)	894,283
Revolving loan fund	370,831	95,892	274,939	3,742,594
Totals	<u>6,711,878</u>	<u>6,552,148</u>	<u>159,730</u>	<u>4,636,877</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 \$842,274, a decrease of \$52,009. The fund balance is currently classified as follows:

Nonspendable	10,634
Restricted	22,837
Committed	57,000
Assigned	103,000
Unassigned	648,803
Total general fund	<u>842,274</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, 2024 was \$95,360 (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 \$609,346 of long-term debt. This consisted of a compensated absence obligation of \$40,400, and the Commission's portion of PERA's unfunded net pension liability of \$514,454 and lease liability of \$54,492. (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, 2024 AND 2023

	Governmental Activities	
	2024	2023
ASSETS		
Cash and investments	327,545	444,942
Certificates of deposit	382,851	369,836
Interest receivable	3,614	3,614
Taxes receivable	2,389	2,389
Accounts receivable	8,534	2,500
Due from other governmental units	556,973	1,568,549
Notes receivable - current	346,748	545,720
Prepaid expenses	10,634	8,243
Total current assets	1,639,288	2,945,793
NON CURRENT ASSETS		
Restricted cash	1,295,845	903,585
Notes receivable	2,257,348	2,317,441
Allowance for doubtful notes receivable	(138,800)	(151,900)
Total non current assets	3,414,393	3,069,126
CAPITAL ASSETS		
Equipment	149,306	139,845
Right of use assets	89,341	
Less: accumulated depreciation	(143,287)	(125,756)
Total capital assets, net of depreciation	95,360	14,089
TOTAL ASSETS	5,149,041	6,029,008
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to PERA	192,130	260,964
TOTAL DEFERRED OUTFLOWS OF RESOURCES	192,130	260,964
LIABILITIES		
Accounts and contracts payable	123,492	1,287,313
Accrued liabilities	65,728	57,074
Current portion lease liability	19,600	
Unearned revenue	215,239	183,166
Total current liabilities	424,059	1,527,553

See accompanying notes to financial statements.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION REGION SIX WEST
 STATEMENTS OF NET POSITION
 JUNE 30, 2024 AND 2023

	Governmental Activities	
	2024	2023
NONCURRENT LIABILITIES		
Lease liability, net current portion	54,492	
Net pension liability - PERA	514,454	689,043
Compensated absences payable	40,400	45,215
Total noncurrent liabilities	609,346	734,258
TOTAL LIABILITIES	1,033,405	2,261,811
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to PERA	159,389	9,774
TOTAL DEFERRED INFLOWS OF RESOURCES	159,389	9,774
NET POSITION		
Net investment in capital assets	95,360	14,089
Restricted for:		
Revolving loans	3,804,559	3,590,694
Scenic byway	21,787	20,491
Meander emerging artists	1,050	1,250
Other projects	10,634	8,243
Unrestricted	214,987	383,620
TOTAL NET POSITION	4,148,377	4,018,387

See accompanying notes to financial statements.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION REGION SIX WEST
STATEMENT OF ACTIVITIES
YEAR ENDED JANUARY 0, 1900
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2023)

Functions/Programs	2024				2023
	Expenses	Program Revenues		Net (Expense)	Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental activities				Governmental Activities	Governmental Activities
Administration	265,605	23,361	1,000	(241,244)	(330,752)
Programs	807,399	627,008	263,849	83,458	146,578
Technical assistance	120,078	66,933	30,256	(22,889)	(24,495)
Grant administration	158,372	133,369		(25,003)	(41,756)
Grant writing	103,746	81,076		(22,670)	(10,966)
Fiscal agent pass-through	2,896,764	6,034		2,890,730	
Interest expense	2,282			(2,282)	
Unallocated depreciation	17,531			(17,531)	(13,313)
Total governmental activities	4,371,777	937,781	295,105	2,890,730	(248,161)

See accompanying notes to financial statements.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION REGION SIX WEST
 STATEMENT OF ACTIVITIES
 YEAR ENDED JANUARY 0, 1900
 (WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2023)

2024	2023
Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
General revenues	
Property taxes, levied for general purposes	344,298
State aid	8,690
Other general revenue	897
Investment earnings	1,717
Total general revenues	355,602
CHANGE IN NET POSITION	80,898
NET POSITION, beginning of year	3,937,489
NET POSITION, end of year	4,018,387

See accompanying notes to financial statements.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION REGION SIX WEST
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2024
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2023)

	General	RLF	Total Governmental Funds	
			2024	2023
ASSETS				
Cash and investments	327,545		327,545	444,942
Restricted cash and investments	21,787	1,274,058	1,295,845	903,585
Certificates of deposit	382,851		382,851	369,836
Interest receivable		3,614	3,614	3,614
Taxes receivable	2,389		2,389	2,389
Accounts receivable	8,534		8,534	2,500
Due from other fund	18,409		18,409	7,275
Due from other governments	476,973	80,000	556,973	1,568,549
Prepaid expenses	10,634		10,634	8,243
Loans receivable		2,604,096	2,604,096	2,863,161
TOTAL ASSETS	1,249,122	3,961,768	5,210,890	6,174,094
LIABILITIES				
Accounts and contracts payable	123,492		123,492	1,287,313
Unearned revenue	215,239		215,239	183,166
Due to other fund		18,409	18,409	7,275
Accrued liabilities	65,728		65,728	57,074
Total liabilities	404,459	18,409	422,868	1,534,828
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	10,634		10,634	8,243
Restricted	22,837	3,943,359	3,966,196	3,764,335
Committed	57,000		57,000	52,000
Assigned	103,000		103,000	108,700
Unassigned	648,803		648,803	703,599
Total fund balances	842,274	3,943,359	4,785,633	4,636,877
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	1,249,122	3,961,768	5,210,890	6,174,094

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, 2024 AND 2023

	2024	2023
Total fund balances - governmental funds	4,785,633	4,636,877
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	(138,800)	(151,900)
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets	149,306	139,845
Right of use assets	89,341	
Less: accumulated depreciation	(143,287)	(125,756)
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:		
Lease liability	(74,092)	
Compensated absences	(40,400)	(45,215)
Net pension liability - PERA	(514,454)	(689,043)
Deferred inflows & deferred outflows - PERA	32,741	251,190
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	4,148,377	4,018,387

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, 2024
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2023)

	General	RLF	Total Governmental Funds	
			2024	2023
REVENUES				
Local property tax levies	353,470		353,470	344,298
Other local and county revenues	3,624,999		3,624,999	5,817,332
Revenues from state sources	162,286		162,286	155,934
Revenues from federal sources	79,788	200,000	279,788	323,483
Revolving loan fund revenue		66,637	66,637	876
Administrative revenue		62,700	62,700	69,955
Total revenues	<u>4,220,543</u>	<u>329,337</u>	<u>4,549,880</u>	<u>6,711,878</u>
EXPENDITURES				
Current				
Administration	272,543		272,543	314,471
Programs	714,372	128,572	842,944	691,124
Technical assistance	115,686		115,686	176,502
Grant writing	100,671		100,671	33,276
Grant administration	152,662		152,662	160,636
Fiscal agent pass-through	2,896,764		2,896,764	5,167,660
Capital outlay	19,854		19,854	8,479
Total expenditures	<u>4,272,552</u>	<u>128,572</u>	<u>4,401,124</u>	<u>6,552,148</u>
REVENUES OVER (UNDER) EXPENDITURES	(52,009)	200,765	148,756	159,730
FUND BALANCES, beginning of year	<u>894,283</u>	<u>3,742,594</u>	<u>4,636,877</u>	<u>4,477,147</u>
FUND BALANCES, end of year	<u>842,274</u>	<u>3,943,359</u>	<u>4,785,633</u>	<u>4,636,877</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, 2024 AND 2023

	2024	2023
Total net change in fund balances - governmental funds	148,756	159,730
 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.		
	13,100	(11,600)
 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	9,461	
Right of use assets	89,341	
Depreciation expense	(17,531)	(13,313)
 Compensated absence, pension expense and lease liability 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>(113,227)</u>	<u>(53,919)</u>
Change in net position - governmental funds	<u><u>129,900</u></u>	<u><u>80,898</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
JUNE 30, 2024

	Original Budget	Final Budget	Actual
REVENUES			
Local property tax levies	362,000	362,000	353,470
Other local and county revenues	809,063	777,161	3,624,999
Revenues from state sources	145,000	156,000	162,286
Revenues from federal sources	70,000	70,000	79,788
	<u>1,386,063</u>	<u>1,365,161</u>	<u>4,220,543</u>
EXPENDITURES			
Current			
Administration	360,000	360,000	272,543
Programs	575,000	680,735	714,372
Technical assistance	225,655	105,475	115,686
Grant writing	90,000	84,000	100,671
Grant administration	135,000	129,200	152,662
Fiscal agent pass through			2,896,764
Capital outlay			19,854
	<u>1,385,655</u>	<u>1,359,410</u>	<u>4,272,552</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>408</u>	<u>5,751</u>	(52,009)
FUND BALANCE, beginning of year			<u>894,283</u>
FUND BALANCE, end of year			<u>842,274</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.

Investments consist of money market investments. Money market investments are short-term, highly liquid investments with maturities of 60 days or less.

In addition, the Commission has three 12 month certificates of deposit, whose cost approximates market.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. RESTRICTED ASSETS

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

H. RECEIVABLES

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

I. PROPERTY TAXES RECEIVABLE

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

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

J. NOTES AND LOANS RECEIVABLE

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. CAPITAL ASSETS

Capital assets, which includes equipment and vehicles, are recorded in the government-wide financial statements, but are not recorded in the fund financial statements. Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair value at the date of donation. The Commission maintains a threshold level of \$500 for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for the Commission's purpose, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 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.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. RETIREMENT PLANS

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

O. 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, 2024.

P. LEASES

The Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. 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:

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)

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

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

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

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

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

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.

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)

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

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

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. 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, 2023, from which the summarized information was derived.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded the appropriations during the year ended June 30, 2024 in the following fund. This excess was covered by current year revenues or existing fund balance.

	Appropriations	Expenditures	Expenditures over Appropriations
General Fund	1,359,410	4,272,552	2,913,142

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

NOTE 3. CASH AND INVESTMENTS

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

Deposits

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

Custodial credit risk is the risk that, in the event of a bank failure, the Commission's deposits might not be recovered. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the Commission's treasurer or in a financial institution other than that furnishing the collateral. As of June 30, 2024, the Commission was adequately collateralized.

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

NOTE 3. CASH AND INVESTMENTS (Continued)

Money Market Shares (Investment Pools)

The Commission holds assets in the MAGIC Fund. MAGIC is a local government investment pool which is quoted at NAV. The Commission invests in this pool for the purpose of the joint investment with other counties and commissions to enhance the investment earnings accruing to each member. The MAGIC Fund currently consists of MAGIC Portfolio.

MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the Commission has a sufficient number of shares to meet their redemption request. The Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its net asset value not reasonably practical.

The Commission invests in money market mutual funds for the benefit of liquid investments. Money market funds held by the Commission seek a constant NAV of \$1.00 per share.

NOTE 4. DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2024 are summarized as follows:

	General
Due from federal government	107,288
Due from state government	297,956
Due from local governments	151,729
Total	556,973

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, 2024, there were 39 loans outstanding totaling \$2,604,096. Loans receivable as of June 30, 2024 are as follows:

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 6/30/24
10th Avenue Rebuilders LLC	11/15/26	1,668/mo.	2.44%	141,029
Anderson Hardware	08/01/34	466/mo.	4.50%	45,000
Anderson- TeBeest Funeral Home	04/01/25	970/mo.	4.50%	9,551
Anderson- TeBeest Funeral Home	02/15/26	1,038/mo.	2.40%	20,320
Appleton Power Equipment	12/01/28	405/mo.	4.00%	21,585
BKP Jewelers LLC	08/01/27	520/mo.	4.00%	18,726
Books by Kelly	03/15/25	122/mo.	5.00%	1,055
Clara City Foods	04/01/26	2,057/mo.	2.44%	44,206
Devos Paint & Body	01/01/28	1,114/mo.	2.40%	45,803
Donner's Garage, Inc	03/01/27	947/mo.	2.44%	139,403
Donner Manufacturing	02/01/28	3,332/mo.	6.00%	269,531
Evenson Properties LLC	02/15/31	2,501/mo.	2.40%	49,751
Falls Café and Canoe	08/01/25	286/mo.	5.00%	3,964
Fernholz Concrete, LLC	06/15/26	295/mo.	2.40%	22,671
Granite Falls Eyecare, Inc.	07/01/34	1,537/mo.	5.00%	145,000
Granite Falls Eyecare, Inc.	07/01/34	583/mo.	5.00%	55,000
Granite Falls Woodworks Inc	10/15/30	469/mo.	2.40%	32,934
Handeland Granite Falls, LLC	08/15/31	633/mo.	2.44%	82,834
Headquarters Bar Inc.	11/01/28	978/mo.	5.50%	49,658
JAT Holdings, LLC	03/15/31	1,303/mo.	2.49%	159,038
JLD Eats, Inc.	03/15/29	574/mo.	4.50%	74,089
JLD Eats, Inc.	03/15/29	1,147/mo.	4.50%	148,177
Lien Lumber LLC	10/15/30	826/mo.	2.40%	58,118
Madsen Family Chiropractic PLLC	01/01/31	1,074/mo.	2.40%	78,302
Marathon Holdings LLC	07/01/34	792/mo.	5.00%	78,283
Montevideo Design Group, LLC	03/01/26	1,841/mo.	2.49%	137,088
Montevideo River Side Auto Body LLC	07/15/31	334.20/mo.	2.44%	43,064
Northern Geo	04/15/26	1,014/mo.	2.44%	21,800
Northern Geo II	12/15/26	820/mo.	4.25%	26,912
SEWearable Designs, Inc.	03/04/27	282/mo.	4.50%	9,723
Stony Ridge Foods, Inc.	07/01/30	2,026/mo.	4.00%	131,104
Streblow Family Enterprise, LLC	09/15/29	531/mo.	5.00%	31,432
Sunshine & Whiskey Fill Station LLC	10/15/30	708/mo.	2.40%	49,788
The Dryer Doctors, LLC	08/15/27	354/mo.	4.50%	13,741
The Sawmill	04/15/27	204/mo.	4.00%	16,460
Wager Chiropractic PLLC	05/15/26	364/mo.	2.44%	27,730
Western Consolidated Cooperative	10/15/27	2,050/mo.	4.25%	76,090
Williams Family Companies LLC	01/15/31	765/mo.	2.40%	92,594
Winter Family Enterprises, Inc.	12/15/27	1,610/mo.	5.25%	132,542
				<u>2,604,096</u>

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

NOTE 5. LOANS RECEIVABLE (Continued)

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

NOTE 6. UNEARNED REVENUE

The amounts of Unearned Revenue at June 30, 2024 are summarized as follows:

	<u>Grants</u>
General	<u>215,239</u>

NOTE 7. LEASE OBLIGATIONS

During fiscal year 2023, 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 \$181.

Beginning August 1, 2024, the Commission entered into a five year lease arrangement for office space. The terms of the lease call for monthly payments of \$1,423 for the first year, increasing by 2.5% each July 1 after that. At the end of the lease term, this lease may be terminated by either party.

Amounts relating to leases are reflected in the financial statements as right of use assets and lease liability. Future lease payments on the leases classified as right of use assets are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	16,922	2,720	19,642
2026	18,100	2,033	20,133
2027	19,342	1,294	20,636
2028	19,728	1,423	21,151
Total	<u>74,092</u>	<u>7,470</u>	<u>81,562</u>

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, 2024 were \$336,987.

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

NOTE 9. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023 is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets being depreciated				
Equipment	139,845	9,461		149,306
Right of use assets	-	89,341		89,341
Total capital assets	139,845	98,802	-	238,647
Less: Accumulated depreciation				
Equipment	125,756	10,710		136,466
Right of use assets	-	6,821		6,821
Total Accumulated depreciation	125,756	17,531	-	143,287
Total capital assets, net	14,089	81,271	-	95,360

Depreciation expense of \$17,531 for the year ended June 30, 2024 was charged to the following governmental functions:

Unallocated depreciation	<u>17,531</u>
Total depreciation expense	<u><u>17,531</u></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, 2023	Additions	Retirements	June 30, 2024
Long-term liabilities				
Compensated absences	45,215	60,366	65,181	40,400
	<u>45,215</u>	<u>60,366</u>	<u>65,181</u>	<u>40,400</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	10,634		10,634
Restricted:			
Revolving Loan Fund		3,943,359	3,943,359
Scenic Byway Savings	21,787		21,787
Meander Emerging Artists	1,050		1,050
Committed:			
Medical Reimbursement Allocation	31,000		31,000
Compensated Absences	16,000		16,000
Unemployment	10,000		10,000
Assigned			
Prior Year Match/Hedge Hog Assigned	3,000		3,000
Between Tax Settlements	100,000		100,000
Unassigned	648,803		648,803
Total Fund Balances	842,274	3,943,359	4,785,633

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, 2024, 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.

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 Upper Minnesota Valley Regional Development 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 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

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

NOTE 14. DEFINED BENEFIT PENSION PLAN (Continued)

B. BENEFITS PROVIDED (Continued)

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. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

In 2023, the legislature allocated funding for a one-time lump-sum payment to General Employee benefit recipients. Eligibility criteria and the payment amount is specified in statute. The one-time payment is non-compounding towards future benefits.

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 2024 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, 2024, were \$61,703. The Commission's contributions were equal to the required contribution as set by state statute.

D. PENSION COSTS

At June 30, 2024, the Commission reported a liability of \$514,454 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 totaled \$14,101.

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, 2023, 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, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The Commission's proportionate share was 0.0092%, at the end of the measurement period and 0.0087% for the beginning of the period.

Commission's proportionate share of the net pension liability	514,454
State of Minnesota's proportionate share of the net pension liability associated with the Commission	<u>14,101</u>
Total	<u>528,555</u>

For the year ended June 30, 2024, the Commission recognized pension expense of \$13,550 for its proportionate share of the General Employees Plan's pension expense. In addition, the Commission recognized \$63 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

At June 30, 2024, 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	16,674	3,236
Changes in actuarial assumptions	76,149	141,007
Net collective difference between projected and actual investment earnings		15,146
Changes in proportion	37,604	
Contributions paid to PERA subsequent to the measurement date	<u>61,703</u>	
Total	<u>192,130</u>	<u>159,389</u>

The \$61,703 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, 2025.

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
2025	23,582
2026	(59,713)
2027	18,330
2028	51,154
Thereafter	
Total	33,353

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	100%	

F. ACTUARIAL METHODS AND ASSUMPTIONS

The total pension liability in the June 30, 2023, 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 7.0 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

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)

return of 7.0 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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 27 years of service.

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 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2023:

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

G. DISCOUNT RATE

The discount rate for the General Employees Plan used to measure the total pension liability in 2023 was 7.0 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 Plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term

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

NOTE 14. DEFINED BENEFIT PENSION PLAN (Continued)

G. DISCOUNT RATE (Continued)

expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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		
<i>Net Pension Liability (Asset) at Different Discount Rates</i>		
1% Lower	6.00%	910,110
Current Discount Rate	7.00%	514,454
1% Higher	8.00%	189,011

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%
June 30, 2023	\$55,557	\$55,557	\$0	\$740,753	7.50%
June 30, 2024	\$61,703	\$61,703	\$0	\$822,706	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%
June 30, 2022	0.0087%	\$689,043	\$634,307	108.63%	76.67%
June 30, 2023	0.0092%	\$514,454	\$740,753	69.45%	83.10%

* 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, 2024 AND 2023

	2024	2023
ASSETS		
Cash and investments	327,545	444,942
Restricted cash	21,787	20,491
Certificates of deposit	382,851	369,836
Taxes receivable - delinquent	2,389	2,389
Accounts receivable	8,534	2,500
Due from other fund	18,409	7,275
Due from other governments	476,973	1,568,549
Prepaid expenses	10,634	8,243
	<u>1,249,122</u>	<u>2,424,225</u>
TOTAL ASSETS	1,249,122	2,424,225
LIABILITIES		
Accounts and contracts payable	123,492	1,287,313
Unearned revenue - grants	215,239	183,166
Accrued liabilities	65,728	57,074
	<u>404,459</u>	<u>1,527,553</u>
Total liabilities	404,459	1,527,553
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue - delinquent taxes	2,389	2,389
	<u>2,389</u>	<u>2,389</u>
Total deferred inflows of resources	2,389	2,389
FUND BALANCES		
Nonspendable	10,634	8,243
Restricted	22,837	21,741
Committed	57,000	52,000
Assigned	103,000	108,700
Unassigned	648,803	703,599
	<u>842,274</u>	<u>894,283</u>
Total fund balances	842,274	894,283
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	1,249,122	2,424,225

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, 2024
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2023)

	2024		2023
	Final Budget	Actual	Actual
REVENUES			
LOCAL PROPERTY TAX LEVIES			
Local levies	362,000	353,470	344,298
Total local property tax levies	<u>362,000</u>	<u>353,470</u>	<u>344,298</u>
OTHER LOCAL AND COUNTY REVENUES			
Reimbursement from WMRLF	118,000	124,897	92,602
Revenue from cities/counties/hedge hog	427,276	478,900	430,038
Agency auto/equipment replacement		23,361	11,964
Regional tourism/byway activities	200,000	100,279	86,069
Local pass-thru		2,862,682	5,091,055
Interest revenue	11,000	14,122	1,717
Southwest MN Foundation	17,285	17,285	1,870
Miscellaneous revenue	3,600	3,473	2,017
Total other local and county revenues	<u>777,161</u>	<u>3,624,999</u>	<u>5,717,332</u>
REVENUES FROM STATE SOURCES			
Ag/Homestead credits		9,473	8,690
MNDOT - general	75,000	75,000	75,000
MN DEED		1,000	4,000
MN Dept. of Commerce	45,000	44,813	
MN state arts grant	25,000	25,000	24,000
Safe routes to school			42,844
Southwest Minnesota Arts and Humanity Council	11,000	7,000	1,400
Total revenues from state sources	<u>156,000</u>	<u>162,286</u>	<u>155,934</u>
REVENUES FROM FEDERAL SOURCES			
EDA planning and outmigration grants	70,000	79,788	70,000
EDA cares act			53,483
Total revenues from federal sources	<u>70,000</u>	<u>79,788</u>	<u>123,483</u>
TOTAL REVENUES	<u>1,365,161</u>	<u>4,220,543</u>	<u>6,341,047</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, 2024
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2023)

	2024		2023
	Final Budget	Actual	Actual
EXPENDITURES			
ADMINISTRATION			
Commission/administration			
Salaries and benefits	150,000	139,368	180,802
Other services and charges	167,000	107,591	89,201
Agency auto		2,992	3,216
Indirect costs	43,000	41,161	53,556
Contract rate		(18,569)	(12,304)
Capital expenditures		19,854	8,479
Total commission/administration	<u>360,000</u>	<u>292,397</u>	<u>322,950</u>
Total administration	<u>360,000</u>	<u>292,397</u>	<u>322,950</u>
PROGRAMS			
EDA - planning continuation grant			
Salaries and benefits	43,000	53,398	47,137
Other services and charges	5,000	6,340	2,163
Indirect costs	22,000	23,627	22,750
Total EDA - planning continuation grant	<u>70,000</u>	<u>83,365</u>	<u>72,050</u>
Prairie Waters			
Salaries and benefits	75,000	97,675	78,125
Other services and charges	50,000	58,258	27,181
Indirect costs	40,000	48,455	39,391
Total Prairie Waters	<u>165,000</u>	<u>204,388</u>	<u>144,697</u>
Revolving Loan Fund			
Salaries and benefits	137,000	134,725	99,281
Other services and charges	2,500	3,601	2,908
Indirect costs	54,000	57,927	39,133
Total Revolving Loan Fund	<u>193,500</u>	<u>196,253</u>	<u>141,322</u>
Art crawl			
Salaries and benefits	25,000	12,573	30,193
Other services and charges	25,000	7,225	36,044
Indirect costs	10,000	6,470	16,402
Total art crawl	<u>60,000</u>	<u>26,268</u>	<u>82,639</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, 2024
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2023)

	2024		2023
	Final Budget	Actual	Actual
EXPENDITURES (CONTINUED)			
PROGRAMS (CONTINUED)			
Scenic byway local savings			
Other services and charges		7,873	5,903
Total scenic byway local savings		<u>7,873</u>	<u>5,903</u>
Transportation - MNDOT/local			
Salaries and benefits	60,500	61,002	65,230
Other services and charges	2,000	3,605	2,509
Indirect costs	25,735	25,058	26,063
Contract rate			
Total MN Department of Transportation - local	<u>88,235</u>	<u>89,665</u>	<u>93,802</u>
EDA cares act			
Salaries and benefits			13,070
Other services and charges			35,349
Indirect costs			6,400
Total EDA cares act			<u>54,819</u>
MNKOTA local foods grant			
Salaries and benefits	45,000	44,240	
Other services and charges	1,000	712	
Indirect costs	16,000	16,794	
Total MNKOTA local foods grant	<u>62,000</u>	<u>61,746</u>	
State competitiveness clean energy grant			
Salaries and benefits	30,000	31,310	
Other services and charges	1,000	828	
Indirect costs	11,000	12,676	
Total State competitiveness clean energy grant	<u>42,000</u>	<u>44,814</u>	
Total programs	<u>680,735</u>	<u>714,372</u>	<u>595,232</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, 2024
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2023)

	2024		2023
	Final Budget	Actual	Actual
EXPENDITURES (CONTINUED)			
TECHNICAL ASSISTANCE			
Hazard mitigation plans			
Salaries and benefits	6,000	7,904	14,253
Other services and charges	2,000	132	5,440
Indirect costs	3,000	3,476	7,089
Total hazard mitigation plans	<u>11,000</u>	<u>11,512</u>	<u>26,782</u>
Byway MNHS			
Salaries and benefits	17,000	16,647	1,053
Other services and charges			14
Indirect costs	7,000	5,961	393
Total byway MNHS	<u>24,000</u>	<u>22,608</u>	<u>1,460</u>
Miscellaneous Community Contracts			
Salaries and benefits	45,000	53,817	85,049
Other services and charges	10,000	1,333	19,290
Indirect costs	15,475	24,200	37,348
Contract rate		2,216	6,573
Total miscellaneous community contracts	<u>70,475</u>	<u>81,566</u>	<u>148,260</u>
Total technical assistance	<u>105,475</u>	<u>115,686</u>	<u>176,502</u>
GRANT WRITING			
Broadband App			
Other services and charges		366	
Contract rate		2,297	
Total miscellaneous		<u>2,663</u>	
Miscellaneous			
Salaries and benefits	58,000	59,481	19,934
Other services and charges	1,000	1,545	257
Indirect costs	25,000	23,376	7,354
Contract rate		13,606	5,731
Total miscellaneous	<u>84,000</u>	<u>98,008</u>	<u>33,276</u>
Total grant writing	<u>84,000</u>	<u>100,671</u>	<u>33,276</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, 2024
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2023)

	2024		2023
	Final Budget	Actual	Actual
EXPENDITURES (CONTINUED)			
GRANT ADMINISTRATION			
EDA grant administration			
Salaries and benefits	3,500	4,827	3,396
Indirect costs	1,700	2,080	1,469
Total EDA grant administration	<u>5,200</u>	<u>6,907</u>	<u>4,865</u>
CDBG grant administration			
Salaries and benefits	23,000	23,433	45,676
Other services and charges	500	16	361
Indirect costs	10,000	10,540	20,617
Total CDBG grant administration	<u>33,500</u>	<u>33,989</u>	<u>66,654</u>
SCDP grant administration			
Salaries and benefits	62,000	75,385	60,757
Other services and charges	500	1,195	731
Indirect costs	28,000	35,186	27,629
Total SCDP grant administration	<u>90,500</u>	<u>111,766</u>	<u>89,117</u>
Total grant administration	<u>129,200</u>	<u>152,662</u>	<u>160,636</u>
FISCAL AGENT PASS-THROUGH			
City of Appleton - SCDP grant			
Other services and charges		179,748	218,498
Total City of Appleton - SCDP grant		<u>179,748</u>	<u>218,498</u>
City of Benson - SCDP grant			
Other services and charges		491,899	165,086
Total City of Benson - SCDP grant		<u>491,899</u>	<u>165,086</u>
City of Canby - SCDP grant			
Other services and charges		162,101	131,124
Total City of Canby - SCDP grant		<u>162,101</u>	<u>131,124</u>
City of Clara City - SCDP grant			
Other services and charges		155,409	26,698
Total City of Clara City - SCDP grant		<u>155,409</u>	<u>26,698</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, 2024
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2023)

	2024		2023
	Final Budget	Actual	Actual
EXPENDITURES (CONTINUED)			
FISCAL AGENT PASS-THROUGH (CONTINUED)			
City of Clarkfield - SCDP grant			
Other services and charges			147,567
Total City of Clarkfield - SCDP grant			147,567
City of Dawson - SCDP grant			
Other services and charges		192,396	45,800
Total City of Dawson - SCDP grant		192,396	45,800
City of Granite Falls - SCDP grant			
Other services and charges			87,729
Total City of Granite Falls - SCDP grant			87,729
Milan/Watson - SCDP grant			
Other services and charges		158,373	228,321
Total Milan/Watson - SCDP grant		158,373	228,321
City of Ortonville - SCDP grant			
Other services and charges		21,050	
Total City of Ortonville - SCDP grant		21,050	
City of Appleton - CDBG grant			
Other services and charges		1,485,569	1,616,837
Total City of Appleton - CDBG grant		1,485,569	1,616,837
City of Madison - CDBG grant			
Other services and charges			2,500,000
Total City of Madison - CDBG grant			2,500,000
City of Clara City - DEED grant			
Other services and charges		44,185	
Total City of Clara City - DEED grant		44,185	
WorkForce Summit			
Other services and charges		6,034	
Total WorkForce Summit		6,034	
Total fiscal agent pass-through		2,896,764	5,167,660

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, 2024
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2023)

	2024		2023
	Final Budget	Actual	Actual
TOTAL EXPENDITURES	1,359,410	4,272,552	6,456,256
EXCESS REVENUES OVER (UNDER) EXPENDITURES	5,751	(52,009)	(115,209)
FUND BALANCE, beginning of year	894,283	894,283	1,009,492
FUND BALANCE, end of year	900,034	842,274	894,283

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION REGION SIX WEST
 REVOLVING LOAN FUND
 BALANCE SHEETS
 JUNE 30, 2024 AND 2023

	2024	2023
ASSETS		
ASSETS		
Restricted cash and Investments	1,274,058	883,094
Due from other governments	80,000	
Loan interest receivable	3,614	3,614
Loans receivable	2,604,096	2,863,161
	<u>3,961,768</u>	<u>3,749,869</u>
TOTAL ASSETS	3,961,768	3,749,869
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Due to other fund	18,409	7,275
	<u>18,409</u>	<u>7,275</u>
TOTAL LIABILITIES	18,409	7,275
FUND BALANCE		
Restricted	3,943,359	3,742,594
	<u>3,943,359</u>	<u>3,742,594</u>
Total fund balance	3,943,359	3,742,594
TOTAL LIABILITIES AND FUND BALANCE	3,961,768	3,749,869

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, 2024 AND 2023

	2024	2023
REVENUES		
Revolving loan revenues		
County revenue		100,000
Federal revenue	137,803	177,353
Interest income	65,720	(343)
Closing fees	917	1,219
Total revolving loan revenues	204,440	278,229
Administrative revenues		
Federal revenue	62,197	22,647
Interest income	56,592	63,383
Other fees	6,108	6,572
Total administrative revenues	124,897	92,602
Total revenues	329,337	370,831
EXPENDITURES		
Administrative/Board expenditures		
Administrative contract	124,897	92,602
Total administrative/board expenditures	124,897	92,602
Revolving loan expenditures		
Loan closing expense	3,675	3,290
Total revolving loan expenditures	3,675	3,290
Total expenditures	128,572	95,892
EXCESS OF REVENUES OVER EXPENDITURES	200,765	274,939
FUND BALANCE, beginning of year	3,742,594	3,467,655
FUND BALANCE, end of year	3,943,359	3,742,594

SCHEDULES

**UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION REGION SIX WEST
SCHEDULE OF FUNDING - STATE AND FEDERAL SOURCES (UNAUDITED)
YEAR ENDED JUNE 30, 2024**

	Federal/State Funds Flow Through (1)	Federal/State Admin Funds (1)	State	Total
Benson EDA Grant Admin		1,399		1,399
Swift County EDA Grant Admin		5,507		5,507
Benson SCDP	491,899	14,593		506,492
Dawson SCDP	192,646	6,262		198,908
Appleton SCDP	132,867	73		132,940
Milan/Watson SCDP	158,373			158,373
Clara City SCDP	199,594	3,890		203,484
Ortonville SCDP	6,600	27,809		34,409
Appleton CDBG	1,512,569	23,641		1,536,210
Madison CDBG		8,058		8,058
Explore MN Tourism			6,934	6,934
State Competitiveness Fund			44,813	44,813
MNDOT - ATP Coordination			75,000	75,000
MN State Arts Board			25,000	25,000
Public Art SMAHC			11,651	11,651
	<u>2,694,548</u>	<u>91,232</u>	<u>163,398</u>	<u>2,949,178</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, 2024

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	52,500
(01) 301(B) EDA Planning Continuation Grant	11.302	EDA24CHIO60253	210,000	27,288
Total CFDA # 11.302				<u>79,788</u>
CARES RLF Grant - COVID 19	11.307	06-79-06224	1,892,000	1,766,969
ARPA Revolving Loan Fund	11.307	06-79-06396	400,000	393,993
Total CFDA # 11.307				<u>2,160,962</u>
Total U.S. Department of Commerce				<u>2,240,750</u>
Total federal expenditures				<u><u>2,240,750</u></u>

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION REGION SIX WEST
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2024

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, 2023. 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 \$45,724 of WMRLF income used for administrative costs, and a cash and investment balance of \$142,002 as of June 30, 2024. This fund has an outstanding loan balance at June 30, 2024, of \$1,579,243, of which 100% is federally funded.

NOTE E - ARPA REVOLVING LOAN FUND

Federal revenue recognized for CFDA #11.307 represents \$16,472 of WMRLF income used for administrative costs, and a cash and investment balance of \$5,457 as of June 30, 2024. This fund has an outstanding loan balance at June 30, 2024, of \$470,563, of which 80% is federally funded.

NOTE F - 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, 2024, 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 November 19, 2024.

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 2024-001 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 and 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
November 19, 2024





**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 THE 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, 2024. 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, 2024.

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 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 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
November 19, 2024

A handwritten signature in black ink that reads "Dana F. Cole + Company, CP". The signature is written in a cursive style and is positioned to the right of the date and location text.

OTHER REQUIRED REPORTS AND SCHEDULES

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
 REGION SIX WEST
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2024

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors report issued: Unmodified

Internal control over financial reporting:

Material weakness identified: _____ Yes X _____ No

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

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

Federal Awards

Internal control over major programs:

Material weakness identified: _____ Yes X _____ No

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

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

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516 (a) _____ Yes X _____ No

Identification of major programs:

Economic 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, 2024

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

2024-001: 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.

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, 2024

2023-001: 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.

Current Status

This recommendation was not implemented and this is still a finding in the fiscal year 2024 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, 2024, 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 November 19, 2024.

In connection with our audit, nothing came to our attention that caused us to believe that Upper Minnesota Valley Regional Development Commission failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections 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. 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.

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

Montevideo, Minnesota
November 19, 2024