

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION

REGION SIX WEST

APPLETON, MINNESOTA

FINANCIAL STATEMENTS

JUNE 30, 2013

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

Commissioners:

Big Stone County:

H. Rusty Dimberg
Brent Olson

Commencement of Service:

April 2004
January 2005

Chippewa County:

Jim Dahlvang
Jim Schmaedeka

January 2001
March 2011

Lac qui Parle County:

Graylen Carlson
Jeff Olson
Mark Bourne

February 2013
February 2010
September 2010

Swift County:

Warren Rau
Gary Hendrickx
Heather Giese

May 2003
January 2006
February 2011

Yellow Medicine County:

Gary Johnson
Scott Peterson

January 1993
February 2009

Special Interest Groups:

Bruce Swigerd
Juanita Lauritsen
Vicki Oakes

March 2005
July 2001
July 2012

School Board

Brett Buer
Kathi Thymian

February 2009
May 2011

Municipalities

Scott Rixe
Debra Lee Fader

February 2013
March 2013

Officers

Chairperson – Gary Hendrickx
Vice Chairperson – Harold Solem
Secretary-Treasurer – Kathi Thymian
Executive Director – Dawn Hegland

DANA F. COLE & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS
INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota, as of June 30, 2013, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 3 thru 8, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

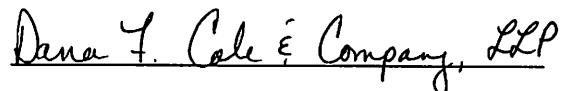
Report on Summarized Comparative Information

We have previously audited the Commission's 2012 financial statements and, in our report dated October 17, 2012, we expressed unmodified opinions on the respective financial statements of the governmental activities and each major fund. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2013 on our consideration of Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota's internal control over financial reporting and compliance.

Montevideo, Minnesota
November 6, 2013

 Dana F. Cole & Company, LLP

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

As management of the Upper Minnesota Valley Regional Development Commission (Commission), we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2013. Please read it in conjunction with the Commission's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2013 are as follows:

- In total, net position increased \$153,691, which represents an 8% increase from fiscal year 2012.
- General revenues accounted for \$286,985 in revenue or 25% of all revenues. Program specific revenues in the forms of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$869,884 or 75% of total revenues of \$1,156,869.
- Total assets increased by \$105,852, as current assets decreased \$92,635, capital assets increased by \$10,086, and noncurrent assets increased by \$179,509. Accumulated depreciation decreased by \$8,892 from fiscal year 2012.
- The Commission had \$1,003,178 in expenses. Of these expenses, \$869,884 was offset by program specific charges for services, grants or contributions.
- Among major funds, the General Fund had \$1,033,748 in revenues and \$1,012,289 in expenditures. The General Fund's unassigned fund balance increased \$38,698 from fiscal year 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

The two government-wide statements report the Commission's net position and how they have changed. Net position - the difference between the Commission's assets and liabilities - is one way to measure the Commission's financial health or position.

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

- Governmental activities - All of the Commission's services are included here, such as economic/community development/technical assistance, transportation, administration, GIS, aging, revolving loan fund, and fiscal agent pass-through. Property taxes and state and federal grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Commission's funds, focusing on its most significant or "major" funds-not the Commission as a whole. Funds are accounting devices the Commission uses to keep track of specific sources of funding and spending on particular programs:

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

The Commission has one kind of fund:

- Governmental funds - All of the Commission's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Commission's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information following the governmental funds statements that explains the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE COMMISSION AS A WHOLE

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Commission, assets exceeded liabilities by \$1,982,187 at June 30, 2013 (See details in table below). The Commission uses capital assets to operate and to provide services; consequently, these assets are not available for future spending. Table 1 provides a summary of the Commission's net position for FY 2013 compared to FY 2012:

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)

Table1
Net Position

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Assets		
Current and other assets	2,150,376	2,063,502
Capital assets (net of accumulated depreciation of \$146,916 and \$155,808 for 2013 and 2012)	<u>44,871</u>	<u>25,893</u>
Total assets	<u>2,195,247</u>	<u>2,089,395</u>
 Liabilities		
Current liabilities	198,260	241,099
Long-term liabilities	<u>14,800</u>	<u>19,800</u>
Total liabilities	<u>213,060</u>	<u>260,899</u>
 Net position		
Net investment in capital assets	44,871	25,893
Restricted	1,310,609	1,216,984
Unrestricted	<u>626,707</u>	<u>585,619</u>
Total net position	<u>1,982,187</u>	<u>1,828,496</u>

The \$626,707 of unrestricted net position may be used to meet the Commission's ongoing obligations.

The Commission's due from other governments and accounts payable balances have decreased compared to prior year due to the completion in the current year of major grant projects. Deferred revenue balance has increased due to County Contributions for an additional revolving loan fund grant. Notes receivable balance has increased due to the Commission loaning out more money this year.

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

FINANCIAL ANALYSIS OF THE COMMISSION AS A WHOLE (Continued)

Changes to Net Position

Governmental activities increased the Commission's net position by \$153,691. Key elements of this net increase are as follows:

Table 2 Change in Net Position			
		2013	2012
Revenues			
Program revenues			
Charges for services		330,356	442,893
Operating grants and contributions		298,206	138,935
Capital grants and contributions		241,322	1,016,267
General revenues			
Property taxes		270,575	249,924
State aid		6,488	9,897
Other general revenue		1,276	3,093
Investment earnings		2,646	4,764
Gain on sale of assets		6,000	
Total revenues		1,156,869	1,865,773
Expenses			
Administration		137,739	111,095
Economic/community development/technical assistance		193,413	184,317
Blandin projects		22,106	102,303
GIS		1,179	1,579
Grant administration		66,961	109,204
Transportation and tourism		283,599	227,951
Revolving loan fund		46,138	59,646
Fiscal agent pass-through		241,322	1,016,267
Unallocated depreciation		10,721	9,432
Total expenses		1,003,178	1,821,794
Change in net position		153,691	43,979
Net position, beginning		1,828,496	1,784,517
Net position, ending		1,982,187	1,828,496

The significant changes from fiscal year 2012, are a decrease in Blandin expenses due to projects completed in the prior year, and a decrease in grant administration and fiscal agent pass-through due to more projects being completed in the prior year. The increase in transportation and tourism is due to new Safe Route to Schools grants this year.

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

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

The financial performance of the Commission as a whole is reflected in its governmental funds as well. As the Commission completed the year, its governmental funds reported a combined fund balance of \$2,011,827. This was up from \$1,876,414 at the end of the prior year, an increase of \$135,413. Revenues of the Commission's governmental funds totaled \$1,188,140 while total expenditures were \$1,052,727. A summary of the revenues and expenditures reported on the governmental fund financial statements appears in the table below:

Revenues and Expenditures - Governmental Funds - 2013

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

Revenues and Expenditures - Governmental Funds - 2012

	<u>Revenues</u>	<u>Expenditures</u>	<u>Increase/ (Decrease)</u>	<u>Fund Balance 06/30/12</u>
General fund	1,855,939	1,794,918	61,021	629,406
Revolving loan fund	49,769	45,546	4,223	1,247,008
Totals	<u>1,905,708</u>	<u>1,840,464</u>	<u>65,244</u>	<u>1,876,414</u>

As of the end of the current fiscal year, the Commission's general fund reported an ending fund balance of \$650,865, an increase of \$21,459. The fund balance is currently classified as follows:

Nonspendable	6,205
Restricted	5,542
Committed	64,943
Assigned	152,850
Unassigned	421,325
Total general fund	<u>650,865</u>

The revolving loan fund balance is all restricted.

BUDGETARY HIGHLIGHTS

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

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Commission's investment in capital assets for its activities as of June 30, 2013 was \$44,871 (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 \$14,800 of long-term debt. This consisted of a compensated absence obligation. (More detailed information about long-term debt can be found in Note 10 to the financial statements.)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

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

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

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

FINANCIAL SECTION

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION REGION SIX WEST
STATEMENT OF NET POSITION
JUNE 30, 2013 AND 2012

	Governmental Activities	
	2013	2012
ASSETS		
Cash	522,731	695,660
Certificate of deposit	150,000	
Loan interest receivable	3,614	3,614
Taxes receivable	2,389	2,389
Accounts receivable		1,193
Due from other governmental units	79,466	143,811
Prepaid expenses	6,205	10,373
Total current assets	<u>764,405</u>	<u>857,040</u>
NON CURRENT ASSETS		
Restricted cash	205,627	135,245
Notes receivable	1,242,444	1,127,617
Allowance for doubtful notes receivable	(62,100)	(56,400)
Total non current assets	<u>1,385,971</u>	<u>1,206,462</u>
CAPITAL ASSETS		
Equipment	191,787	181,701
Less: accumulated depreciation	(146,916)	(155,808)
Total capital assets, net of depreciation	<u>44,871</u>	<u>25,893</u>
TOTAL ASSETS	<u>2,195,247</u>	<u>2,089,395</u>
LIABILITIES		
Accounts and contracts payable	2,362	102,703
Accrued liabilities	10,822	11,982
Deferred revenue	185,076	126,414
Total current liabilities	<u>198,260</u>	<u>241,099</u>
NONCURRENT LIABILITIES		
Compensated absences payable	14,800	19,800
Total noncurrent liabilities	<u>14,800</u>	<u>19,800</u>
TOTAL LIABILITIES	<u>213,060</u>	<u>260,899</u>
NET POSITION		
Net investment in capital assets	44,871	25,893
Restricted for:		
Revolving loans	1,298,862	1,190,608
Scenic byway	5,542	16,003
Other projects	6,205	10,373
Unrestricted	626,707	585,619
TOTAL NET POSITION	<u>1,982,187</u>	<u>1,828,496</u>

See accompanying notes to financial statements.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION REGION SIX WEST
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)

	2013				2012	
		Program Revenues			Net (Expense)	Net (Expense)
					Revenue and	Revenue and
					Changes in	Changes in
					Net Position	Net Position
Functions/Programs	Expenses	Charges for	Operating	Capital	Governmental	Governmental
		Services	Grants and	Grants and	Activities	Activities
			Contributions	Contributions		
Governmental activities						
Administration	137,739	32,740			(104,999)	(100,109)
Economic/community development and technical assistance	193,413	53,274	64,628		(75,511)	(58,992)
Blandin projects	22,106	14,966			(7,140)	(4,220)
GIS	1,179				(1,179)	(1,579)
Grant administration	66,961	57,148			(9,813)	8,490
Transportation and tourism	283,599	117,836	133,578		(32,185)	(47,979)
Revolving loan fund	46,138	54,392	100,000		108,254	(9,878)
Fiscal agent pass-through	241,322			241,322		
Unallocated depreciation	10,721				(10,721)	(9,432)
Total governmental activities	1,003,178	330,356	298,206	241,322	(133,294)	(223,699)
General revenues						
Property taxes, levied for general purposes					270,575	249,924
State aid					6,488	9,897
Other general revenue					1,276	3,093
Investment earnings					2,646	4,764
Gain (loss) on sale of assets					6,000	
Total general revenues					286,985	267,678
CHANGE IN NET POSITION					153,691	43,979
NET POSITION, beginning of year					1,828,496	1,784,517
NET POSITION, end of year					1,982,187	1,828,496

See accompanying notes to financial statements.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013
(WITH PARTIAL COMPARATIVE INFORMATION AS OF JUNE 30, 2012)

			Total Governmental Funds	
	General	RLF	2013	2012
ASSETS				
ASSETS				
Cash	522,731		522,731	695,660
Restricted cash	5,542	200,085	205,627	135,245
Certificate of deposit	150,000		150,000	
Loan interest receivable		3,614	3,614	3,614
Taxes receivable	2,389		2,389	2,389
Accounts receivable				1,193
Due from other fund	5,181		5,181	3,465
Due from other governments	79,466		79,466	143,811
Prepaid expenses	6,205		6,205	10,373
Loans receivable		1,242,444	1,242,444	1,127,617
TOTAL ASSETS	771,514	1,446,143	2,217,657	2,123,367
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts and Contracts Payable	2,362		2,362	102,703
Deferred Revenue	107,465	80,000	187,465	128,803
Due to Other Fund		5,181	5,181	3,465
Accrued Liabilities	10,822		10,822	11,982
Total liabilities	120,649	85,181	205,830	246,953
FUND BALANCES				
Nonspendable	6,205		6,205	10,373
Restricted	5,542	1,360,962	1,366,504	1,263,011
Committed	64,943		64,943	46,000
Assigned	152,850		152,850	174,403
Unassigned	421,325		421,325	382,627
Total Fund Balances	650,865	1,360,962	2,011,827	1,876,414
TOTAL LIABILITIES AND FUND BALANCES	771,514	1,446,143	2,217,657	2,123,367

See accompanying notes to financial statements.

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2013 AND 2012

	2013	2012
Total fund balances - governmental funds	2,011,827	1,876,414
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	(62,100)	(56,400)
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets	191,787	181,701
Less: accumulated depreciation	(146,916)	(155,808)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Compensated absences	(14,800)	(19,800)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	<u>2,389</u>	<u>2,389</u>
Total net position - governmental activities	<u><u>1,982,187</u></u>	<u><u>1,828,496</u></u>

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)

	General	RLF	Total Governmental Funds	
			2013	2012
REVENUES				
Local property tax levies	270,575		270,575	249,924
Other local and county revenues	542,916	20,000	562,916	1,407,991
Revenues from state sources	65,838		65,838	69,922
Revenues from federal sources	154,419	80,000	234,419	128,102
Revolving loan fund revenue		17,121	17,121	9,377
Administrative revenue		37,271	37,271	40,392
Total revenues	<u>1,033,748</u>	<u>154,392</u>	<u>1,188,140</u>	<u>1,905,708</u>
EXPENDITURES				
Current				
Administration	141,972		141,972	108,624
Economic/community development and technical assistance	193,413		193,413	184,317
Blandin projects	22,106		22,106	102,303
Grant administration	66,961		66,961	109,204
Transportation and tourism	283,599		283,599	227,705
Revolving loan fund	37,271	40,438	77,709	85,938
Fiscal agent pass-through	241,322		241,322	1,016,267
Capital outlay	25,645		25,645	6,106
Total expenditures	<u>1,012,289</u>	<u>40,438</u>	<u>1,052,727</u>	<u>1,840,464</u>
REVENUES OVER EXPENDITURES	21,459	113,954	135,413	65,244
FUND BALANCES, beginning of year	<u>629,406</u>	<u>1,247,008</u>	<u>1,876,414</u>	<u>1,811,170</u>
FUND BALANCES, end of year	<u><u>650,865</u></u>	<u><u>1,360,962</u></u>	<u><u>2,011,827</u></u>	<u><u>1,876,414</u></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, 2013 AND 2012

	2013	2012
Total net change in fund balances - governmental funds	135,413	65,244
Amounts reported for governmental activities in the statement of activities are different because:		
Bad debt expense was reported in the governmental funds at the gross amount. However, in the statement of activities, the costs were adjusted for the (increase) reduction in the allowance for doubtful accounts.	(5,700)	(14,100)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital outlays	24,878	6,392
Depreciation expense	(11,900)	(11,257)
Gain (loss) on sale of equipment	6,000	
Compensated absence expense reported in the statement of net activities does not require the use of current financial resources and therefore are not reported as expenditures in governmental funds until actually due.	<u>5,000</u>	<u>(2,300)</u>
Change in net position - governmental funds	<u><u>153,691</u></u>	<u><u>43,979</u></u>

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual
REVENUES			
Local property tax levies	261,000	261,000	270,575
Other local and county revenues	147,490	251,975	542,916
Revenues from state sources	99,350	64,350	65,838
Revenues from federal sources	<u>200,114</u>	<u>147,315</u>	<u>154,419</u>
 Total revenues	 <u>707,954</u>	 <u>724,640</u>	 <u>1,033,748</u>
EXPENDITURES			
Current			
Administration	239,783	195,547	141,972
Economic/community development and technical assistance	212,566	175,537	193,413
Blandin projects		5,787	22,106
Grant administration	65,526	63,405	66,961
Transportation and tourism	217,514	264,263	283,599
Revolving loan fund	34,000	34,000	37,271
Fiscal agent pass through			241,322
Capital outlay	<u> </u>	<u> </u>	<u>25,645</u>
 Total expenditures	 <u>769,389</u>	 <u>738,539</u>	 <u>1,012,289</u>
 REVENUES OVER (UNDER) EXPENSES	 <u><u>(61,435)</u></u>	 <u><u>(13,899)</u></u>	 21,459
 FUND BALANCE, beginning of year			<u>629,406</u>
 FUND BALANCE, end of year			<u><u>650,865</u></u>

See accompanying notes to financial statements.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. REPORTING ENTITY

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

B. BASIC FINANCIAL STATEMENT PRESENTATION

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIC FINANCIAL STATEMENT PRESENTATION (Continued)

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

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

Description of Funds

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

Major Governmental Funds

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

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

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

D. BUDGETING

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

E. USE OF ESTIMATES

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

F. CASH AND INVESTMENTS

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

In addition, during FY13, the Commission invested in a 12 month certificate of deposit, whose cost approximates market.

G. RESTRICTED ASSETS

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. RECEIVABLES

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

I. CAPITAL ASSETS

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

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

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

J. COMPENSATED ABSENCES

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

K. PROPERTY TAXES

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. PROPERTY TAXES (Continued)

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

L. LOANS RECEIVABLE/ALLOWANCE FOR UNCOLLECTIBLE LOANS

An allowance for uncollectible loans is recorded based on a credit risk, which results in an estimated allowance being recorded on all loans. When a loan does become uncollectible it will be charged directly to the allowance in the year of default. An allowance of \$62,100 has been recorded at June 30, 2013.

M. FUND EQUITY

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

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

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

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

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. NET POSITION

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

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL FUNDS

<u>Fund</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General	738,539	1,012,289	(273,750)

The majority of this variance \$241,322 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, 2013, all of the Commission's deposits were adequately collateralized.

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

NOTE 4. DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2013 are summarized as follows:

	<u>General</u>
Due from federal government	57,677
Due from state government	9,102
Due from local governments	<u>12,687</u>
Total	<u><u>79,466</u></u>

NOTE 5. LOANS RECEIVABLE

The organization received grant funds from the U.S. Department of Commerce and various local contributors for the purpose of lending. These funds are used to assist economic development by providing money for working capital, improvements and additions to capital assets. These loans vary as to the terms for repayment and the interest rate charged. As of June 30, 2013, there were 38 loans outstanding totaling \$1,242,444. Loans receivable as of June 30, 2013 are as follows:

	<u>Maturity Date</u>	<u>Repayment Terms</u>	<u>Interest Rate</u>	<u>Balance 06/30/13</u>
Al's Mercantile	01/15/16	531/mo.	5.00%	40,100
Appleton Building Center	06/01/14	435/mo.	5.50%	5,479
Appleton Hardware, Inc.	07/01/16	684/mo.	4.00%	23,857
Appleton Meat Center	07/15/19	319/mo.	4.00%	21,392
Appleton Power Equipment	06/01/20	253/mo.	4.00%	18,537
Appleton Vet Clinic	09/10/19	233/mo.	4.00%	15,522
Books by Kelly	08/15/15	122/mo.	5.00%	12,932
C & L Powder Coating	06/15/22	135/mo.	4.50%	11,978
C & L Powder Coating	06/01/23	553/mo.	2.90%	57,500
C.C. Diamond Products, LLC	05/01/17	1,012/mo.	4.00%	91,249
Clarkfield Family Foods	07/01/19	284/mo.	4.00%	19,102
Conroy Electric	02/15/22	466/mo.	4.00%	41,098
Dawson Mini Mall	05/14/13	258/mo.	7.00%	1,078
Eric's Motors	06/01/16	180/mo.	5.00%	5,788
Friendship Café	10/10/19	102/mo.	4.00%	6,811
Goldleaf Financial LTD	03/01/18	1,792/mo.	2.90%	95,336
Granite Falls Dairy Queen	05/01/22	1,012/mo.	4.00%	91,089
Gordons/Ortonville Hardware Hank	07/01/15	905/mo.	4.00%	21,637
Handeland Chiropractic, LLC	02/15/16	350/mo.	5.00%	26,914
I Fit	08/01/17	68/mo.	4.00%	3,150
Jager Building	01/15/22	628/mo.	4.00%	54,746
JC & Sons Hardware	03/01/20	709/mo.	4.00%	50,263
Jimmy's Pizza	07/01/20	132/mo.	4.00%	9,742
Kaercher Publications, Inc.	06/01/22	679/mo.	4.50%	60,429
Kay's Processing, LLC	03/01/18	1,792/mo.	2.90%	95,605
Madison Meats	09/15/15	686/mo.	4.00%	17,772
Merritt Construction	05/01/17	104/mo.	4.50%	9,327

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

NOTE 5. LOANS RECEIVABLE (Continued)

Nirvana Salon & Spa, Inc.	06/01/14	296/mo.	6.25%	3,370
Northern Grain Construction	07/15/18	1,792/mo.	2.90%	100,000
Porter Elevator	08/15/21	759/mo.	4.00%	63,452
Private Industry Council	08/01/15	396/mo.	4.00%	27,866
SEWearable Designs, Inc. (1)	09/01/19	459/mo.	4.50%	23,034
SpecSys, Inc.	01/01/19	507/mo.	4.00%	34,035
Swift Falls Bar & Grill	10/10/14	228/mo.	4.00%	15,308
Swift Manufacturing	04/01/14	1,382/mo.	4.00%	13,836
The Corner Stop	03/19/16	318/mo.	5.00%	10,567
The Sawmill	04/15/22	531/mo.	4.00%	32,046
Woodlake Lumber/Clarkfield HH	03/19/15	548/mo.	4.00%	10,497
Total				<u>1,242,444</u>

(1) – This loan is under review by the RLF Advisory Board.

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

NOTE 6. DEFERRED REVENUE

The amounts of Deferred Revenue at June 30, 2013 are summarized as follows:

	County Contribution	Grants	Delinquent Taxes	Total
General	<u> </u>	<u>105,076</u>	<u>2,389</u>	<u>107,465</u>
RLF	<u>80,000</u>	<u> </u>	<u> </u>	<u>80,000</u>

NOTE 7. LEASE OBLIGATIONS

During fiscal year 2007, 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 \$540. Lease expense related to the copier was \$3,240 in fiscal year 2013. This lease expired during fiscal year 2013.

During fiscal year 2013, the Commission entered into a five year leasing arrangement for a copier from Xerox Corporation. The terms of the lease call for monthly payments of \$247. Lease expense related to the copier was \$1,484 in fiscal year 2013. Future minimum operating lease commitments are as follows:

Year ending June 30	
2014	2,964
2015	2,964
2016	2,964
2017	2,964
2018	1,480
Total	<u>13,336</u>

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

NOTE 7. LEASE OBLIGATIONS (Continued)

In addition, the Commission leases office space from the City of Appleton. The long-term lease ran through June 30, 2000. The Commission is currently on a month-to-month lease with the City, and lease payments to the City totaled \$12,200 for the year ended June 30, 2013.

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, 2013 were \$250,049.

NOTE 9. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013 is as follows:

	<u>Equipment</u>
Cost at June 30, 2012	181,701
Additions	30,878
Disposals	<u>(20,792)</u>
Cost at June 30, 2013	<u><u>191,787</u></u>

Accumulated depreciation activity for the year ended June 30, 2013 is as follows:

	<u>Equipment</u>
Accumulated depreciation at June 30, 2012	155,808
Additions	11,900
Disposals	<u>(20,792)</u>
Accumulated depreciation at June 30, 2013	<u><u>146,916</u></u>
Capital assets net of accumulated depreciation at June 30, 2013	<u><u>44,871</u></u>

Depreciation expense of \$11,900 for the year ended June 30, 2013 was charged to the following governmental functions:

GIS	1,179
Unallocated depreciation	<u>10,721</u>
Total depreciation expense	<u><u>11,900</u></u>

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

NOTE 10. LONG-TERM DEBT

Compensated Absences

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

	<u>June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2013</u>
Long-term liabilities				
Compensated absences	19,800	24,366	29,366	14,800
	<u>19,800</u>	<u>24,366</u>	<u>29,366</u>	<u>14,800</u>

NOTE 11. FUND BALANCES

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

	<u>General Fund</u>	<u>Revolving Loan Fund</u>	<u>Total</u>
Nonspendable:			
Prepaid items	6,205		6,205
Restricted:			
Revolving Loan Fund		1,360,962	1,360,962
Scenic Byway Savings	5,542		5,542
Committed:			
Medical Reimbursement Allocation	38,943		38,943
Compensated Absences	16,000		16,000
Unemployment	10,000		10,000
Assigned			
Agency Auto	30,138		30,138
Equipment Replacement	22,712		22,712
Between Tax Settlements	100,000		100,000
Unassigned	<u>421,325</u>		<u>421,325</u>
Total Fund Balances	<u>650,865</u>	<u>1,360,962</u>	<u>2,011,827</u>

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

NOTE 12. RISK MANAGEMENT - CLAIMS AND JUDGEMENTS

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

The Commission's property and liability premiums, unemployment claims and insurance coverage for vehicles are paid by the General Fund. Workers compensation premiums are paid by the General Fund. The Commission purchases commercial insurance for property and liability, transferring the risk of loss to the insurance carrier. The Commission participates in a risk pool for workers compensation insurance. The pool in turn contracts with an insurance carrier, thereby transferring the risk from the pool members to the insurance carrier. The workers compensation policy is retrospectively rated in that the initial premium is adjusted based on the actual experience during coverage period of the group of entities that participate in the pool. As of June 30, 2013 there are no claims, litigations, or judgments which would materially affect the financial statements of the Commission.

The Commission handles unemployment costs through a self-insurance plan. The Commission retains the risks associated with unemployment claims. An amount has been committed in the General Fund for the purpose of paying these costs. Historically there are few unemployment claims against the Commission, therefore no liability estimate has been recorded in the financial statements. At June 30, 2013, there were no outstanding claims.

NOTE 13. COMMITMENTS AND CONTINGENT LIABILITIES

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

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

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

NOTE 14. PENSION PLANS

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

A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

1. Plan Description

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

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

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

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

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

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

NOTE 14. PENSION PLANS (Continued)

A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

1. Plan Description (Continued)

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

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

2. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The Commission makes annual contributions to the pension plans equal to the amount required by state statutes. GERP Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2012. In 2012, the Commission was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members and 7.25% for Coordinated Plan members. The Commission's contributions to the Public Employees Retirement Fund for the years ended June 30, 2013, 2012, and 2011 were \$30,284, \$28,541, and \$28,418, respectively. The Commission's contributions were equal to the contractually required contributions for each year as set by State Statute.

SUPPLEMENTAL INFORMATION

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
GENERAL FUND
BALANCE SHEETS
JUNE 30, 2013 AND 2012

	2013	2012
ASSETS		
ASSETS		
Cash	522,731	695,660
Restricted cash	5,542	16,003
Certificate of deposit	150,000	
Taxes receivable - delinquent	2,389	2,389
Accounts receivable		1,193
Due from other fund	5,181	3,465
Due from other governments	79,466	143,811
Prepaid expenses	6,205	10,373
	<u>771,514</u>	<u>872,894</u>
TOTAL ASSETS		
	<u>771,514</u>	<u>872,894</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts and contracts payable	2,362	102,703
Deferred revenue - delinquent taxes	2,389	2,389
Deferred revenue - grants	105,076	126,414
Accrued liabilities	10,822	11,982
	<u>120,649</u>	<u>243,488</u>
TOTAL LIABILITIES		
	<u>120,649</u>	<u>243,488</u>
FUND BALANCES		
Nonspendable	6,205	10,373
Restricted	5,542	16,003
Committed	64,943	46,000
Assigned	152,850	174,403
Unassigned	421,325	382,627
	<u>650,865</u>	<u>629,406</u>
Total fund balances		
	<u>650,865</u>	<u>629,406</u>
TOTAL LIABILITIES AND FUND BALANCES		
	<u>771,514</u>	<u>872,894</u>

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
GENERAL FUND
SCHEDULE OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
-BUDGET AND ACTUAL-
YEAR ENDED JUNE 30, 2013
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)

	2013		2012
	Final Budget	Actual	Actual
REVENUES			
Local property tax levies			
Local levies	261,000	270,575	249,924
Total local property tax levies	261,000	270,575	249,924
Other local and county revenues			
Reimbursement from WMRLF	34,000	37,271	40,392
Revenue from cities/counties/hedge hog	98,835	72,559	94,789
Agency auto/equipment replacement		32,740	10,986
Regional tourism/byway activities	112,340	100,246	76,500
Local pass-thru		296,069	1,114,339
Blandin Alltel projects		90	65,177
Interest revenue	4,800	2,665	4,808
Miscellaneous revenue	2,000	1,276	1,000
Total other local and county revenues	251,975	542,916	1,407,991
Revenues from state sources			
Ag/Homestead credits	5,000	4,941	9,897
PERA aid		1,547	
MNDOT - general	50,000	50,000	50,000
Legacy grant	7,000	7,000	
Regional tourism/byway activities	2,350	2,350	10,025
Total revenues from state sources	64,350	65,838	69,922
Revenues from federal sources			
EDA planning and outmigration grants	64,628	64,628	67,328
Blandin	5,787	14,876	32,906
Scenic byway corridor	20,400	25,989	12,825
Safe routes to school	56,000	48,926	
Transit study			5,847
Hazard mitigation	500		9,196
Total revenues from federal sources	147,315	154,419	128,102
TOTAL REVENUES	724,640	1,033,748	1,855,939
EXPENDITURES			
Administration			
Commission/administration			
Salaries and benefits	67,152	57,338	42,896
Other services and charges	87,445	55,151	42,262
Agency auto		6,703	5,114
Indirect costs	40,950	29,356	19,119
Contract rate		(6,576)	(767)
Capital expenditures		25,645	6,106
Total commission/administration	195,547	167,617	114,730
Total administration	195,547	167,617	114,730

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
GENERAL FUND
SCHEDULE OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
-BUDGET AND ACTUAL-
YEAR ENDED JUNE 30, 2013
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)

	2013		2012
	Final Budget	Actual	Actual
EXPENDITURES (CONTINUED)			
Economic/community development and technical assistance			
EDA - planning continuation grant			
Salaries and benefits	71,042	79,569	75,949
Other services and charges	7,436	9,459	4,752
Indirect costs	50,778	52,917	50,179
Total EDA - planning continuation grant	<u>129,256</u>	<u>141,945</u>	<u>130,880</u>
Hazard mitigation plans			
Salaries and benefits			5,955
Other services and charges			1,230
Indirect costs			4,456
Contract rate			767
Total hazard mitigation plans			<u>12,408</u>
Miscellaneous community contracts			
Salaries and benefits	24,400	26,890	20,719
Other services and charges	1,491	1,928	4,444
Indirect costs	16,879	19,141	15,866
Contract rate	3,511	3,509	
Total miscellaneous community contracts	<u>46,281</u>	<u>51,468</u>	<u>41,029</u>
Total economic/community development and technical assistance	<u>175,537</u>	<u>193,413</u>	<u>184,317</u>
Blandin projects			
Demo communities			
Other services and charges			77,441
Total demo communities			<u>77,441</u>
Administration, marketing & extension			
Salaries and benefits	3,877	7,859	14,243
Other services and charges		9,775	1,950
Indirect costs	1,910	4,472	8,669
Total administration, marketing & extension	<u>5,787</u>	<u>22,106</u>	<u>24,862</u>
Total Blandin projects	<u>5,787</u>	<u>22,106</u>	<u>102,303</u>
Grant administration			
HUD/DNR grant administration			
Salaries and benefits	29,650	26,417	36,206
Other services and charges	550	509	857
Indirect costs	16,800	16,612	24,766
Total HUD/DNR grant administration	<u>47,000</u>	<u>43,538</u>	<u>61,829</u>
SCDP grant administration			
Salaries and benefits	9,805	13,474	26,994
Other services and charges		166	46
Indirect costs	6,600	9,783	20,335
Total SCDP grant administration	<u>16,405</u>	<u>23,423</u>	<u>47,375</u>
Total grant administration	<u>63,405</u>	<u>66,961</u>	<u>109,204</u>

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
GENERAL FUND
SCHEDULE OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
-BUDGET AND ACTUAL-
YEAR ENDED JUNE 30, 2013
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)

	2013		2012
	Final Budget	Actual	Actual
EXPENDITURES (CONTINUED)			
Transportation and tourism			
Art crawl			
Salaries and benefits	8,000	8,574	8,793
Other services and charges	31,750	20,169	19,022
Indirect costs	5,250	6,556	6,838
Total art crawl	<u>45,000</u>	<u>35,299</u>	<u>34,653</u>
Regional tourism coordinator			
Salaries and benefits	35,800	41,363	39,350
Other services and charges	1,890	20,610	14,235
Indirect costs	32,000	36,032	33,685
Total regional tourism coordinator	<u>69,690</u>	<u>98,005</u>	<u>87,270</u>
Scenic byway corridor/forecast public arts grant/byway calender			
Salaries and benefits	15,090	16,562	14,533
Other services and charges	9,210	7,437	2,482
Indirect costs	10,450	11,274	10,930
Total scenic byway corridor/forecast public arts grant/byway calender	<u>34,750</u>	<u>35,273</u>	<u>27,945</u>
Scenic byway local savings			
Other services and charges		2,149	3,257
Total scenic byway local savings		<u>2,149</u>	<u>3,257</u>
Safe routes to school			
Salaries and benefits	30,500	23,862	
Other services and charges	500	467	
Indirect costs	23,620	21,530	
Contract rate	1,380	3,067	
Total safe routes to school	<u>56,000</u>	<u>48,926</u>	
Transportation - MNDOT/local			
Salaries and benefits	30,203	31,459	38,199
Other services and charges	1,894	4,182	4,758
Indirect costs	26,726	28,306	31,623
Total MN Department of Transportation - local	<u>58,823</u>	<u>63,947</u>	<u>74,580</u>
Total transportation and tourism	<u>264,263</u>	<u>283,599</u>	<u>227,705</u>
Revolving Loan Fund			
Revolving Loan Fund			
Salaries and benefits	19,900	20,156	20,696
Other services and charges	550	3,045	6,340
Indirect costs	13,550	14,070	13,356
Total Revolving Loan Fund	<u>34,000</u>	<u>37,271</u>	<u>40,392</u>
Total Revolving loan fund	<u>34,000</u>	<u>37,271</u>	<u>40,392</u>

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
GENERAL FUND
SCHEDULE OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
-BUDGET AND ACTUAL-
YEAR ENDED JUNE 30, 2013
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2012)

	2013		2012
	Final Budget	Actual	Actual
EXPENDITURES (CONTINUED)			
Fiscal agent pass-through			
City of Appleton - SCDP grant			
Other services and charges		120,071	300,418
Total City of Appleton - SCDP Grant		120,071	300,418
City of Benson - SCDP grant			
Other services and charges		111,289	142,225
Total City of Benson - SCDP grant		111,289	142,225
City of Browns Valley - HUD grant			
Other services and charges		9,962	350,317
Total City of Browns Valley - HUD grant		9,962	350,317
City of Clarkfield - SCDP grant			
Other services and charges			82,488
Total City of Clarkfield - SCDP grant			82,488
City of Granite Falls - SCDP grant			
Other services and charges			140,819
Total City of Granite Falls - SCDP grant			140,819
Total fiscal agent pass-through		241,322	1,016,267
TOTAL EXPENDITURES	738,539	1,012,289	1,794,918
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(13,899)	21,459	61,021
FUND BALANCE, beginning of year	629,406	629,406	568,385
FUND BALANCE, end of year	615,507	650,865	629,406

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
 REGION SIX WEST
 REVOLVING LOAN FUND
 BALANCE SHEETS
 JUNE 30, 2013 AND 2012

	2013	2012
ASSETS		
ASSETS		
Restricted cash	200,085	119,242
Loan interest receivable	3,614	3,614
Loans receivable	<u>1,242,444</u>	<u>1,127,617</u>
 TOTAL ASSETS	 <u><u>1,446,143</u></u>	 <u><u>1,250,473</u></u>
 LIABILITIES AND FUND BALANCE		
LIABILITIES		
Due to other fund	5,181	3,465
Deferred revenue	<u>80,000</u>	<u></u>
 TOTAL LIABILITIES	 <u><u>85,181</u></u>	 <u><u>3,465</u></u>
 FUND BALANCE		
Restricted	<u>1,360,962</u>	<u>1,247,008</u>
 Total fund balance	 <u><u>1,360,962</u></u>	 <u><u>1,247,008</u></u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>1,446,143</u></u>	 <u><u>1,250,473</u></u>

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
REVOLVING LOAN FUND
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
REVENUES		
Revolving loan revenues		
County revenues	20,000	
Federal revenue	80,000	
Interest income	13,934	4,223
Closing fees	3,187	5,154
Total revolving loan revenues	<u>117,121</u>	<u>9,377</u>
Administrative revenues		
Interest income	32,950	35,548
Other fees	4,321	4,844
Total administrative revenues	<u>37,271</u>	<u>40,392</u>
Total revenues	<u>154,392</u>	<u>49,769</u>
EXPENDITURES		
Administrative/Board expenditures		
Administrative contract	37,271	40,392
Total administrative/board expenditures	<u>37,271</u>	<u>40,392</u>
Revolving loan expenditures		
Loan closing expense	3,167	5,154
Total revolving loan expenditures	<u>3,167</u>	<u>5,154</u>
Total expenditures	<u>40,438</u>	<u>45,546</u>
EXCESS OF REVENUES OVER EXPENDITURES	113,954	4,223
FUND BALANCE, beginning of year	<u>1,247,008</u>	<u>1,242,785</u>
FUND BALANCE, end of year	<u><u>1,360,962</u></u>	<u><u>1,247,008</u></u>

SCHEDULES

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
SCHEDULE OF FUNDING - STATE, FEDERAL AND OTHER SOURCES (2)
YEAR ENDED JUNE 30, 2013

	Unaudited Federal/State Funds Flow Through (1)	Unaudited Federal/State Admin Funds (1)	State	Other Grants	Total
City of Appleton SCDP	120,070	13,523			133,593
City of Benson SCDP	108,889	6,255			115,144
City of Ortonville Admin		1,374			1,374
City of Benson Admin		1,454			1,454
Browns Valley DNR	9,962				9,962
Dawson EDA		4,275			4,275
Grainte Falls EDA		2,650			2,650
Granite Falls DNR		27,617			27,617
Meander/art crawl			2,350	5,000	7,350
Byway Corridor Management Plan/Legacy			7,000		7,000
	<u>238,921</u>	<u>57,148</u>	<u>9,350</u>	<u>5,000</u>	<u>310,419</u>

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

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

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Grant Number	Award Amount	Expenditures Recognized
U.S. Department of Commerce:				
(01) 301(B) EDA Planning Continuation Grant	11.302	06-83-05754	64,628	64,628
Title IX Long Term Economic Recovery RLF Grant	11.302	06-39-02302-01	955,000	993,300
Disaster Recovery RLF Grant	11.302	06-79-05786	400,000	144,822
Total CFDA # 11.302				<u>1,202,750</u>
Blandin Marketing	11.557	27-43-B10515	25,000	4,453
PC's for Kids	11.557	27-43-B10515	10,960	10,423
Total CFDA # 11.557				<u>14,876</u>
Total U.S. Department of Commerce				<u>1,217,626</u>
U.S. Department of Transportation:				
Safe Routes to School	20.205	1556	32,944	27,230
Safe Routes to School	20.205	1501	23,084	21,696
Total CFDA # 20.205				<u>48,926</u>
Byway Coordination Management Plan	20.505	SP091-060-102	119,712	25,989
Total CFDA # 20.505				<u>25,989</u>
Total U.S. Department of Transportation				<u>74,915</u>
Total federal expenditures				<u>1,292,541</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

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

Federal revenue recognized for CFDA #11.302 represents \$37,271 of WMRLF income used for administrative costs, and a cash and investment balance of \$119,058 as of June 30, 2013. This fund has an outstanding loan balance at June 30, 2013 of \$1,142,444, of which 76.48% is federally funded and 23.52% is locally funded.

NOTE C - DISASTER RECOVERY REVOLVING LOAN FUND

No federal revenue was used for administrative costs. There is a cash and investment balance of \$81,028 as of June 30, 2013. This fund has an outstanding loan balance at June 30, 2013 of \$100,000, of which 80.00% is federally funded and 20.00% is locally funded.

NOTE D - SUBRECIPIENTS

The Commission expended no awards to subrecipients during the year.

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

DANA F. COLE & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota's basic financial statements and have issued our report thereon dated November 6, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2013-01, that we consider to be a significant deficiency.

Compliance and Other Matters

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

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

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

Purpose of this Report

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

Montevideo, Minnesota
November 6, 2013

Dana F. Cole & Company, LLP

DANA F. COLE & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

We have audited Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota's major federal program for the year ended June 30, 2013. Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota's compliance.

Opinion on Major Federal Program

In our opinion, Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota complied, in all material respects, with the types compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Montevideo, Minnesota
November 6, 2013

Dana F. Cole & Company, LLP

OTHER REQUIRED REPORTS AND SCHEDULES

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified:	___ Yes <u>X</u> No
Significant deficiencies identified that are not considered to be material weaknesses:	<u>X</u> Yes ___ No
Noncompliance matter to the financial statements disclosed:	___ Yes <u>X</u> No

Federal Awards

Internal control over major programs:	
Material weakness identified:	___ Yes <u>X</u> No
Significant deficiencies identified that are not considered to be material weaknesses:	___ Yes <u>X</u> No
Type of auditors' report issued on Compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133	___ Yes <u>X</u> No
Identification of major programs:	
Economic Development – Support for Planning Organizations	11.302
Dollar threshold used to distinguish Between type A and type B programs:	\$300,000
Auditee qualified as a low-risk auditee:	<u>X</u> Yes ___ No

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

2013-01 Significant Deficiency in Financial Reporting

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

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

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

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

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

CORRECTIVE ACTION PLAN (CAP)

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

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

UPPER MINNESOTA VALLEY REGIONAL DEVELOPMENT COMMISSION
REGION SIX WEST
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2013

1. Significant Deficiency in Financial Reporting

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities and each major fund of Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota, as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated November 6, 2013.

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

In connection with our audit, nothing came to our attention that caused us to believe that Upper Minnesota Valley Regional Development Commission, Region Six West, Appleton, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. 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, Region Six West's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of the Board of Commissioners, management and State of Minnesota, and is not intended to be and should not be, used by anyone other than those specified parties.

Montevideo, Minnesota
November 6, 2013

Dana F. Cole & Company, LLP