

**REGION V HAZARDOUS MATERIALS  
RESPONSE COMMISSION  
FORT DODGE, IOWA**

**INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINDINGS**

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2006**

Region V Hazardous Materials Response Commission

Fort Dodge, Iowa

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis		4-8
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets – Modified Cash Basis	A	9
Statement of Activities – Modified Cash Basis	B	10-11
Governmental Fund Financial Statements:		
Statement of Net Assets – Cash Basis	C	12
Reconciliation of Statement of Net Assets – Cash Basis to the Statement of Net Assets – Modified Cash Basis	D	13
Statement of Cash Receipts, Disbursements and Changes in Net Assets – Cash Basis	E	14
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Net Assets – Cash Basis to the Statement of Activities – Modified Cash Basis	F	15
Notes to Financial Statements		16-21
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters		22-23
Schedule of Findings		24

Region V Hazardous Materials Response Commission

Fort Dodge, Iowa

**Officials**

Stan Watne, Chairman

Gary Nicholson

Neil Bock

Harlan Hansen

Wilbur Ekstrand

Jack Bensley

Greg Nolting

Jane Burlison

Mary Jane Fields

David Young

## Independent Auditor's Report

To the Board of Directors  
Region V Hazardous Materials  
Response Commission:

We have audited the accompanying financial statements of the governmental activities and each major fund of Region V Hazardous Materials Response Commission as of and for the year ended June 30, 2006. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described in Note 1, the government-wide financial statements are prepared on the modified cash basis of accounting and the governmental funds financial statements are prepared on the cash basis of accounting. Both of these accounting methods are other comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis and cash basis financial position of Region V Hazardous Material Response Commission as of and for the year ended June 30, 2006 and the changes in modified cash basis and cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated January 4, 2007 on our consideration of Region V Hazardous Materials Response Commission's internal control over financial reporting and 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 the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 4 through 8 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion thereon.

Cornwell, Frideres, Maher & Associates, P.L.C.  
Certified Public Accountants

January 4, 2007

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Region V Hazardous Materials Response Commission provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the Region's financial statements, which follow.

### **2006 FINANCIAL HIGHLIGHTS**

- Revenues of Region V Hazardous Materials Response Commission's governmental activities increased 9.2%, or approximately \$15,345, from fiscal 2005 to fiscal 2006.
- Disbursements increased 4.0%, or approximately \$8,970, in fiscal 2006 from fiscal 2005.
- Region V Hazardous Materials Response Commission's total modified cash basis net assets decreased 9.9%, or approximately \$31,962, from June 30, 2005 to June 30, 2006.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of Region V Hazardous Materials Response Commission's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of Region V Hazardous Materials Response Commission as a whole and presents an overall view of Region V Hazardous Materials Response Commission's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Region V Hazardous Materials Response Commission's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

## **Basis of Accounting**

Region V Hazardous Materials Response Commission maintains its financial records on the basis of cash receipts and disbursements and the financial statements of Region V Hazardous Materials Response Commission are prepared on that basis for the fund financial statement. The government-wide financial statements are prepared on the modified cash basis of accounting. Neither of the cash basis or modified cash basis of accounting give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present the financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash or modified accrual basis of accounting.

## **REPORTING THE REGION'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

One of the most important questions asked about Region V Hazardous Materials Response Commission's finances is, "Is Region V Hazardous Materials Response Commission as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information that helps answer this question.

The Statement of Activities and Net Assets presents Region V Hazardous Materials Response Commission's net assets. Over time, increases or decreases in Region V Hazardous Material Response Commission's net assets may serve as a useful indicator of whether the financial position of Region V Hazardous Materials Response Commission is improving or deteriorating.

The Statement of Activities and Net Assets activity:

- Region V Hazardous Materials Response Commission Activities include public information, first responder Hazmat training and planning in each of the Region's nine counties and emergency response capabilities. State and federal grants finance most of these activities.

### *Fund Financial Statement*

- Region V Hazardous Materials Response Commission has one kind of fund:
  - 1) Governmental funds account for most of Region V Hazardous Materials Response Commission's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Truck Replacement Reserve Fund. The

governmental fund financial statements provide a detailed, short-term view of Region V Hazardous Materials Response Commission's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Region's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENTAL FUND FINANCIAL ANALYSIS

Region V Hazardous Materials Response Commission's cash balance for governmental activities decreased from a year ago, from \$148,032 to \$98,860. The analysis that follows focuses on the changes in cash balances for governmental activities.

Region V Hazardous Materials Response Commission  
Fort Dodge, Iowa  
Statement of Cash Receipts, Disbursements and  
Changes in Net Assets – Cash Basis  
As of and for the years ended June 30, 2005 and 2006

	<u>2005</u>	<u>2006</u>
Receipts:		
County contributions	\$ 108,361	144,481
Federal grants	46,252	25,387
Interest on investments	4,243	2,032
Incident reimbursements	<u>7,497</u>	<u>7,206</u>
Total receipts	<u>166,353</u>	<u>179,106</u>
Disbursements:		
Administration	43,732	46,568
Accounting	1,450	1,765
Maintenance	4,408	4,351
Housing	2,250	3,425
Training	38,789	42,445
Planning	6,345	3,387
Labor	19,674	28,139
Conferences	3,442	1,878
Physicals	3,230	4,054
Vehicle and trailer	66,023	68,048
Phone and internet	2,067	3,546

Supplies	4,843	5,409
Insurance	10,961	---
Equipment	11,415	13,614
Miscellaneous	<u>669</u>	<u>1,649</u>
Total disbursements	<u>219,298</u>	<u>228,278</u>
Deficiency of receipts under disbursements	(52,945)	(49,172)
Net assets beginning of year	<u>200,977</u>	<u>148,032</u>
Net assets end of year	\$ 148,032 =====	98,860 =====

Region V Hazardous Materials Response Commission's total receipts for governmental activities increased by 9.2%, or \$12,753. Region V Hazardous Materials Response Commission's increase in receipts was primarily the result of members paying the 4<sup>th</sup> quarter contribution.

Region V Hazardous Materials Response Commission voted in 2004 to keep the quarterly funding per county the same as the previous year, but with the option to not utilize the 4<sup>th</sup> quarter billing if the cash reserves were adequate enough for the expenses. As stated above the 4<sup>th</sup> quarter contribution was utilized. Region V Hazardous Materials Response Commission also cashed in a maturing cash reserve certificate of deposit with a penalty and used cash from the checking account to purchase and equip two foam trailers for response to the increase of ethanol plants in the region and to train the region's first responders to use said equipment.

The cost of Region V Hazardous Materials Response Commission activities this year was \$228,278 compared to \$219,298 last year. The increase in costs was due to purchasing the foam trailers and training the first responders to their use.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As Region V Hazardous Materials Response Commission completed the year, its funds reported a fund balance of \$98,860, a decrease of \$49,172 of last year's total of \$148,032. The following are the major reasons for the changes in fund balances from the prior year.

- The General Fund cash balance decreased due to the purchase of equipment.
- The HMEP grant funds increased by 4.3% or \$1,316 from the last fiscal year because of an additional reallocation of funds from the HMEP grant.

## **DEBT ADMINISTRATION**

At June 30, 2006, the Region V Hazardous Materials Response Commission had no debt after paying off lease purchase agreement with United Leasing in a prior year.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

With the federal and state implementing further regionalization of Hazmat funding, Region V Hazardous Materials Response Commission is anticipating decreases in funding of our planning and training by about 10% in 2007. The Region V Hazardous Materials Response Commission will pick up the balance of training costs in the region so all counties are in compliance with OSHA. We will also be monitoring the needed training to become NIMS compliant in the upcoming year.

We are anticipating the same quarterly contributions from the counties in the region for 2007. As we cannot predict the number of incidents we will be called to we have no amount to project for said income.

## **CONTACTING THE REGION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Region V Hazardous Materials Response Commission's finances and to show the Region V Hazardous Materials Response Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Peg Stickrod, Administrative Coordinator, PO Box 1736, Fort Dodge, Iowa 50501.

## **Basic Financial Statements**

Region V Hazardous Materials Response Commission

Exhibit A

Fort Dodge, Iowa

Statement of Net Assets - Modified Cash Basis

June 30, 2006

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 98,860
Capital assets, net of accumulated depreciation	<u>192,444</u>
Total assets	<u><u>\$ 291,304</u></u>
Net assets:	
Invested in capital assets	\$ 192,444
Restricted for:	
HMEP Grant	(7,746)
Unrestricted	<u>106,606</u>
Total net assets	<u><u>\$ 291,304</u></u>

See notes to financial statements.

Region V Hazardous Materials Response Commission  
Fort Dodge, Iowa  
Statement of Activities - Modified Cash Basis  
As of and for the year ended June 30, 2006

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charge for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Functions/Programs:				
Administration	\$ 46,568	-	6,961	-
Accounting	1,765	-	-	-
Maintenance and repair	4,351	-	-	-
Housing	3,425	-	-	-
Training	42,445	-	8,077	-
Planning	3,387	-	9,900	-
Labor	28,139	7,206	-	-
Conferences	1,878	-	-	-
Physicals	4,054	-	-	-
Vehicle	9,448	-	-	-
Phone and internet	3,546	-	-	-
Office supplies	5,409	-	449	-
Equipment	13,614	-	-	-
Miscellaneous	1,649	-	-	-
Depreciation (unallocated)	41,390	-	-	-
Total	<u>\$ 211,068</u>	<u>7,206</u>	<u>25,387</u>	<u>-</u>

General Revenues:

County contributions  
Interest on investments  
Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Assets

---

Governmental  
Activities

(39,607)
(1,765)
(4,351)
(3,425)
(34,368)
6,513
(20,933)
(1,878)
(4,054)
(9,448)
(3,546)
(4,960)
(13,614)
(1,649)
<u>(41,390)</u>
<u>(178,475)</u>
144,481
<u>2,032</u>
<u>146,513</u>
(31,962)
<u>323,266</u>
<u>\$ 291,304</u>

Fort Dodge, Iowa

Statement of Net Assets - Cash Basis

June 30, 2006

	<u>General</u>	<u>Special Revenue HMEP Grant</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 106,606	(7,746)	98,860
Net Assets:			
Reserved for:			
HMEP Grant	-	(7,746)	(7,746)
Unreserved	106,606	-	106,606
Total net assets	<u>\$ 106,606</u>	<u>(7,746)</u>	<u>98,860</u>

See notes to financial statements.

Fort Dodge, Iowa

Reconciliation of the Statement of Net Assets - Cash Basis  
to the Statement of Net Assets - Modified Cash Basis

June 30, 2006

**Total net assets of governmental funds (page 12)** \$ 98,860

*Amounts reported for governmental activities in the  
Statement of Net Assets are different because:*

Capital assets used in governmental activities are not  
financial resources and, therefore, are not reported as  
assets in the governmental funds.

192,444

**Net assets of governmental activities (page 9)** \$ 291,304

See notes to financial statements.

Region V Hazardous Materials Response Commission  
Fort Dodge, Iowa

Exhibit E

Statement of Cash Receipts, Disbursements and  
Changes in Net Assets - Cash Basis  
As of and for the year ended June 30, 2006

	<u>General</u>	<u>Special Revenue HMEP Grant</u>	<u>Total</u>
<b>Receipts:</b>			
County contributions	\$ 144,481	-	144,481
Federal grants	-	25,387	25,387
Interest on investments	2,032	-	2,032
Incident reimbursements	7,206	-	7,206
Total receipts	153,719	25,387	179,106
<b>Disbursements:</b>			
Administration	40,640	5,928	46,568
Accounting	1,765	-	1,765
Maintenance and repair	4,351	-	4,351
Housing	3,425	-	3,425
Training	25,277	17,168	42,445
Planning	837	2,550	3,387
Labor	28,139	-	28,139
Conferences	1,878	-	1,878
Physicals	4,054	-	4,054
Vehicle and trailer expense	68,048	-	68,048
Phone and internet	3,546	-	3,546
Supplies	4,703	706	5,409
Equipment	13,614	-	13,614
Miscellaneous	1,649	-	1,649
Total disbursements	201,926	26,352	228,278
Excess (deficiency) of receipts over (under) disbursements	(48,207)	(965)	(49,172)
Net assets - cash basis beginning of year	154,813	(6,781)	148,032
Net assets - cash basis end of year	\$ 106,606	(7,746)	98,860

See notes to financial statements.

Fort Dodge, Iowa

Reconciliation of the Statement of Cash Receipts, Disbursements and  
 Changes in Net Assets - Cash Basis  
 to the Statement of Activities - Modified Cash Basis

Year ended June 30, 2006

**Deficiency of receipts under disbursements (page 14)** \$ (49,172)

*Amounts reported for governmental activities in the  
 Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 58,600		
Depreciation expense	(41,390)	<u>17,210</u>	

**Change in net assets of governmental activities (page 11)** \$ (31,962)

See notes to financial statements.

Region V Hazardous Materials Response Commission

Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2006

**Note 1 Summary of Significant Accounting Policies**

Region V Hazardous Materials Response Commission was formed in 1993 by seven counties pursuant to the provisions of Chapter 28E of the Code of Iowa. Two additional counties have since joined. The member counties included on the Commission are Calhoun, Carroll, Greene, Hamilton, Humboldt, Pocahontas, Sac, Webster, and Wright. The purpose of the Commission is to serve as a communicative and coordinating body to plan, foster, implement, monitor, and evaluate the coordination of hazardous materials response efforts among the body membership.

**A. Reporting Entity**

For financial reporting purposes, Region V Hazardous Materials Response Commission has included all funds, organizations, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading and incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Commission. The Commission has no component units which meet the Governmental Accounting Standards Board criteria.

**B. Basis of Presentation**

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all the nonfiduciary activities of the Commission. For the most part, the effect of interfund activity has been removed from this statement.

Region V Hazardous Materials Response Commission

Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2006

The Statement of Activities and Net Assets presents the Commission's nonfiduciary net assets. Net assets are reported in two categories:

either *Restricted net assets* result when constraints placed on net asset use are externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Items not properly included among program receipts are reported instead as general receipts.

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

The Commission reports the following major governmental funds:

The General Fund is the general operating fund of the Commission. All receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Region V Hazardous Materials Response Commission

Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2006

Special Revenue:

The HMEP Grant Fund is used to account for training and planning expenses related to hazardous materials preparedness and response capabilities.

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements:

The government-wide financial statements are prepared on the modified cash basis of accounting. Under that basis, only the assets, liabilities, fund balances, receipts and disbursements arising as a result of cash transactions or from the acquisition of long-lived assets, and a provision for depreciation are recognized. The modified cash basis of accounting does not recognize accounts receivable, accounts payable and accrued items. Accordingly, the government-wide financial statements do not present financial position and results of operations in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the Commission funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the Commission's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Fund Financial Statements:

Region V Hazardous Materials Response Commission maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Commission are prepared on that basis. The cash basis of accounting does not recognize accounts receivable, accounts payable and accrued items. Accordingly, the fund financial statements do not present financial position and results of operations in accordance with U.S. generally accepted accounting principles.

Region V Hazardous Materials Response Commission

Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2006

D.Assets and Net Assets

The following accounting policies are followed in preparing the Statement of Net Assets.

Capital Assets – Capital assets, which includes equipment, are reported in the applicable governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the Commission as assets with an initial, individual cost in excess of \$500 and estimated useful lives in excess of two years.

Equipment is recorded at cost less accumulated depreciation. Depreciation of property and equipment is provided over the estimated useful lives of 5 to 7 years on a 200% double declining basis for assets placed in service before July 1, 1999. Assets purchased after July 1 are depreciated over the estimated useful lives of 5-10 years on a straight line basis.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Region V Hazardous Materials Response Commission

Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2006

**Note 2 Cash**

The Commission's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Commission had no investments at June 30, 2006. During the year ended June 30, 2006 the Commission invested its excess funds in certificates of deposit.

**Note 3 Risk Management**

Region V Hazardous Materials Response Commission is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Commission assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Region V Hazardous Materials Response Commission

Fort Dodge, Iowa

Notes to Financial Statements

June 30, 2006

**Note 4 Capital Assets**

Capital assets activity for the year ended June 30, 2006 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance End of Year</u>
Capital assets being depreciated:				
Equipment	\$ 382,915	58,600	---	441,515
Less accumulated depreciation for:				
Equipment	<u>207,681</u>	<u>41,390</u>	<u>---</u>	<u>249,071</u>
Total capital assets, net	\$ <u>175,234</u>	<u>17,210</u>	<u>---</u>	<u>192,444</u>
	=====	=====	=====	=====
Depreciation expense				\$ 41,390
				=====

**Note 5 Deficit Fund Balance**

The Special Revenue, HMEP Grant had a deficit balance of \$7,746 at June 30, 2006. The deficit balance was a result of receipts not being received until an expense reimbursement request is sent to the state. The deficit will be eliminated upon receipt of reimbursement request.

Independent Auditor's Report on  
Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Directors of  
Region V Hazardous Materials  
Response Commission:

We have audited the accompanying financial statements of the governmental activities and each major fund of Region V Hazardous Materials Response Commission as of and for the year ended June 30, 2006, and have issued our report thereon dated January 4, 2007. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Region V Hazardous Materials Response Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Region V Hazardous Materials Response Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 an instance of non-compliance that is required to be reported under Government Auditing Standards which is described in Part I of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials of Region V Hazardous Materials Response Commission and other parties to whom the Region V Hazardous Materials Response Commission may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by officials of Region V Hazardous Materials during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Cornwell, Frideres, Maher & Associates, P.L.C.  
Certified Public Accountants

January 4, 2007

Region V Hazardous Materials Response Commission

Fort Dodge, Iowa

Schedule of Findings

Year ended June 30, 2006

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

I-A-06 Undocumented Costs – Supporting documentation was not available to substantiate \$3,333 of planning costs.

Recommendation – The Commission should make sure supporting documentation is retained.

Response – We will make sure that paid invoices are attached to the requests for reimbursement in the future.

Conclusion – Response accepted.

**Part II: Other Findings Related to Statutory Reporting:**

II-A-06 Commission Minutes - No transactions were found that we believe should have been approved in the Commission minutes but were not.

II-B-06 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and Commission's investment policy were noted.