

**REGION SIX PLANNING COMMISSION**

Independent Auditors' Reports  
Financial Statements and  
Supplementary Information  
Schedule of Findings and Questioned Costs

June 30, 2011 and 2010

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## Region Six Planning Commission

### Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
<b>Board of Directors</b>		
Jim Johnson	Chairman	Hardin County
Gordon Canfield	Vice-Chairman	City of Grinnell
Dave Thompson	Secretary/Treasurer	Marshall County
Kendall Jordan	Member	Tama County
Mark Schoborg	Member	Central Iowa Water Association
Jody Anderson	Member	City of Iowa Falls
Roger Luehring	Member	City of Gladbrook
Randy Wetmore	Member	City of Marshalltown
Lindi Roelofse	Member	Tama County Economic Development
Larry Wilson	Member	Poweshiek County
Cindy Schulte	Member	Iowa Valley Community College
Pam Wood	Member	City of Toledo
<b>Commission</b>		
Marty Wymore	Executive Director	



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## Independent Auditors' Report

To the Board Members of  
Region Six Planning Commission:

We have audited the accompanying statements of net assets of Region Six Planning Commission, as of June 30, 2011 and 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Region Six Planning Commission's officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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 audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Region Six Planning Commission as of June 30, 2011 and 2010, and the changes in financial position for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 20, 2012, on our consideration of Region Six Planning 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 on 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 audits.

Management's Discussion and Analysis on pages 4 through 6 is not a required part of the 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 on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in Schedules 1 and 2, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Bowman & Miller, P.C.

Marshalltown, Iowa  
January 20, 2012

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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This discussion and analysis of Region Six Planning Commission (Commission) provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2011 and is provided for consideration in conjunction with the Commission's financial statements, which follow.

### 2011 FINANCIAL HIGHLIGHTS

- The Commission received approximately \$1,617,000 during the fiscal year from a combination of federal, state and local support, as well as planning and transit revenue. This is an increase of 19.1%, or approximately \$260,000, compared to the previous fiscal year and is due primarily to receiving more state funding and planning revenue than the previous fiscal year.
- Expenses increased 18.5%, or approximately \$240,000, from the prior fiscal year. The increase is primarily a result of an increase in planning contract expenses.
- The Commission's net assets increased 5.4%, or approximately \$75,700, from June 30, 2010 to June 30, 2011.

### 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 financial statements and provides an analytical overview of the Commission's financial activities.

The financial statements consist of Statements of Net Assets, Statements of Revenues, Expenses and Changes in Net Assets and Statements of Cash Flows. These provide information about the activities of the Commission as a whole and present an overall view of the Commission's finances.

The financial statements also include notes and supplementary information that explain some of the information in the statements and provide comparisons between budgeted and actual amounts. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the Commission.

### REPORTING THE COMMISSION'S FINANCIAL ACTIVITIES

One of the most important questions asked about the Commission's finances is, "Is the Commission as a whole better off or worse off as a result of the year's activities?" The Statements of Net Assets and the Statements of Revenues, Expenses and Changes in Net Assets report information about the Commission as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statements of Net Assets present all of the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the Commission's net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Assets present information showing how the Commission's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Statements of Cash Flows present information related to cash inflows and outflows, summarized by operating, capital and related financing activities. Only transactions that affect the Commission's cash accounts are reported in this statement. This information can assist the user of the report in determining how the Commission financed its activities and how it met its cash requirements. A reconciliation is provided at the bottom of this statement to assist in the understanding of the difference between cash flows from operating activities and operating income.

## FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets of the Commission's activities.

	Net Assets	
	June 30,	
	2011	2010
<b>Assets:</b>		
Current assets	\$ 675,625	557,157
Non-current assets	150,087	180,273
Capital assets, net of accumulated depreciation	768,093	779,718
Total assets	<u>1,593,805</u>	<u>1,517,148</u>
<b>Liabilities:</b>		
Current liabilities	84,920	74,003
Non-current liabilities	20,000	30,000
Total liabilities	<u>104,920</u>	<u>104,003</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	738,093	739,718
Restricted	101,078	59,200
Unrestricted	649,714	614,227
Total net assets	<u>\$ 1,488,885</u>	<u>1,413,145</u>

Net assets of the Commission increased 5.4% (from \$1,413,145 to \$1,488,885). This change in net assets is primarily due to receiving more state funding in comparison to the prior year and reducing expenses associated with Iowa Connections.

## Changes in Net Assets

	June 30,	
	2011	2010
Support and revenues:		
Federal grants	\$ 422,855	491,626
State appropriations	445,962	175,680
Local support	38,053	46,456
Planning and transit	703,140	640,191
Non-operating revenue	6,538	2,923
Total support and revenues	1,616,548	1,356,876
Expenses:		
General planning	47	(396)
Planning contracts	719,697	427,581
Transit expenses	661,713	606,199
General administrative	159,276	207,800
Iowa Connections	75	59,614
Total expenses	1,540,808	1,300,798
Changes in net assets	75,740	56,078
Net assets, beginning of year	1,413,145	1,357,067
Net assets, end of year	\$ 1,488,885	1,413,145

In fiscal year 2011, the Commission's total revenues increased approximately \$260,000, or 19.1%, from fiscal year 2010. The increase was primarily the result of receiving more support from state sources in comparison to the prior year due to assistance for the flood from the summer of 2010.

### BUDGETARY HIGHLIGHTS

Region Six Planning Commission does not approve a formal budget, however, an internal budget is prepared to assist in planning and monitoring revenues and expenses throughout the year.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets** - At June 30, 2011, the Commission had \$768,093 invested in vehicles and equipment. More detailed financial information about the Commission's capital assets is presented in Note 2 to the financial statements.

**Debt Administration** - During the year ended June 30, 2010, the Commission received a \$50,000 capital loan from the Iowa Department of Transportation, Office of Public Transit as partial financing for the construction of the office building. At June 30, 2011, the 0% interest loan balance was \$30,000.

### CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our local governments, local transit subcontractors and the citizens of Iowa with a general overview of the Commission's finances to demonstrate the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Region Six Planning Commission at 905 East Main Street, Suite A, Marshalltown, Iowa 50158.

# REGION SIX PLANNING COMMISSION

## Statements of Net Assets

June 30, 2011 and 2010

<b>Assets</b>	<u>2011</u>	<u>2010</u>
Current assets:		
Cash	\$ 452,862	347,285
Restricted cash	2,202	1,220
Receivables:		
Accounts receivable	150,131	158,846
Interest receivable	449	255
Prepaid expenditures	40,292	6,517
Notes receivable - current portion:		
LHAP notes receivable	1,490	1,070
RLF notes receivable	28,199	41,964
Total current assets	<u>675,625</u>	<u>557,157</u>
Non-current assets:		
Notes receivable:		
LHAP notes receivable	-	1,987
RLF notes receivable	79,587	107,786
Prepaid lease	70,500	70,500
Capital assets, net of accumulated depreciation of \$817,858	<u>768,093</u>	<u>779,718</u>
Total non-current assets	<u>918,180</u>	<u>959,991</u>
Total assets	<u>\$ 1,593,805</u>	<u>1,517,148</u>

<b>Liabilities and Net Assets</b>	<u>2011</u>	<u>2010</u>
Current liabilities:		
Accounts payable	\$ 9,896	13,910
Accrued payroll and payroll liabilities	23,055	7,436
Accrued vacation	23,695	24,383
Deferred revenue	18,274	18,274
Current portion of note payable	10,000	10,000
Total current liabilities	<u>84,920</u>	<u>74,003</u>
Non-current liability:		
Note payable	<u>20,000</u>	<u>30,000</u>
Total liabilities	<u>104,920</u>	<u>104,003</u>
Net assets:		
Invested in capital assets, net of related debt	738,093	739,718
Restricted	101,078	59,200
Unrestricted	649,714	614,227
Total net assets	<u>1,488,885</u>	<u>1,413,145</u>
Total liabilities and net assets	<u>\$ 1,593,805</u>	<u>1,517,148</u>

**REGION SIX PLANNING COMMISSION**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**For the Years ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>Support:</b>		
Federal grants	\$ 422,855	491,626
State appropriations	445,962	175,680
Local support	<u>38,053</u>	<u>46,456</u>
Total support	<u>906,870</u>	<u>713,762</u>
<b>Revenue:</b>		
Planning and transit	<u>703,140</u>	<u>640,191</u>
Total support and revenue	<u>1,610,010</u>	<u>1,353,953</u>
<b>Expenses:</b>		
General planning	47	(396)
Planning contracts	719,697	427,581
Transit expenses	661,713	606,199
General administrative	159,276	207,800
Iowa Connections	<u>75</u>	<u>59,614</u>
Total expenditures	<u>1,540,808</u>	<u>1,300,798</u>
Operating income	69,202	53,155
<b>Non-operating revenue:</b>		
Interest income	468	2,427
RLF interest income	<u>6,070</u>	<u>496</u>
Total non-operating revenue	<u>6,538</u>	<u>2,923</u>
Changes in net assets	75,740	56,078
Net assets, beginning of year	<u>1,413,145</u>	<u>1,357,067</u>
Net assets, end of year	<u>\$ 1,488,885</u>	<u>1,413,145</u>

## REGION SIX PLANNING COMMISSION

### Statements of Cash Flows

For the Years ended June 30, 2011 and 2010

	2011	2010
<b>Cash flows from operating activities</b>		
Cash received from federal support	\$ 422,855	491,626
Cash received from state support	445,962	175,680
Cash received from other receivables	715,939	702,657
Cash paid for goods and services	(810,913)	(625,067)
Cash paid for employees and benefits	(613,979)	(613,668)
Net cash provided by operating activities	159,864	131,228
<b>Cash flows from capital and related financing activities</b>		
Purchase of capital assets	(93,374)	(166,065)
Payment on note payable	(10,000)	(10,000)
Net cash used by capital and related financing activities	(103,374)	(176,065)
<b>Cash flows from investing activities</b>		
Payments of notes receivable	43,531	65,641
Notes receivable advanced	-	(120,000)
Interest received on bank accounts	6,538	2,923
Net cash provided (used) by investing activities	50,069	(51,436)
Net increase (decrease) in cash and cash equivalents	106,559	(96,273)
Cash and cash equivalents, beginning of year	348,505	444,778
Cash and cash equivalents, end of year	\$ 455,064	348,505
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 69,202	53,155
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	104,999	108,934
Changes in assets and liabilities:		
(Increase) decrease in receivables	8,521	17,007
(Increase) decrease in prepaid expenses	(33,775)	(998)
Increase (decrease) in accounts payable	(4,014)	(25,532)
Increase (decrease) in payroll accruals	14,931	(21,338)
Net cash provided by operating activities	\$ 159,864	131,228

# REGION SIX PLANNING COMMISSION

## Notes to Financial Statements

June 30, 2011 and 2010

### (1) Summary of Significant Accounting Policies

Region Six Planning Commission is a voluntary association of local governments established in 1974 per Chapter 28H and 28E of the Code of Iowa. Membership is open to any local government in the counties of Hardin, Marshall, Poweshiek, and Tama.

The purpose of the Commission is to provide member communities with professional services in the areas of community and rural development through planning services and technical assistance, coordination of regional community development planning, and operation of a regional transit system. The Commission is also authorized as a review and comment agency for federal grants for which member governments have applied.

The Commission is governed by a Board of Directors which includes officials appointed by the member governments. It is the policy of the Commission that at least 51% of the total Board of Directors, as appointed by member governments, shall be elected officials holding office and at least 35% of the Board of Directors shall be non-elected officials.

The financial statements of Region Six Planning Commission have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The more significant of the Commission's accounting policies are described below.

#### A. Reporting Entity

For financial reporting purposes, Region Six Planning Commission has included the accounts of all Commission operations. 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 or 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 specific will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Commission. Region Six Planning Commission has no component units which meet the Governmental Accounting Standards Board criteria.

#### B. Basis of Presentation

The accounts of Region Six Planning Commission are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**REGION SIX PLANNING COMMISSION**  
Notes to Financial Statements (Continued)  
June 30, 2011 and 2010

(1) **Summary of Significant Accounting Policies (Continued)**

B. Basis of Presentation (Continued)

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Statements of Net Assets present the Commission's assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The Commission's policy is to specifically identify which expenses are paid from restricted funds when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

Statements of Revenues, Expenses and Changes in Net Assets present information showing how the Commission's net assets changed during the fiscal year.

Statements of Cash Flows present information related to cash inflows and outflows, summarized by operating, capital and related financing activities. Only transactions that affect the Commission's cash accounts are reported in this statement.

C. Measurement Focus and Basis of Accounting

The 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. Grants and similar items are recognized as revenue as soon as all requirements imposed by the provider have been met.

The Commission applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

**REGION SIX PLANNING COMMISSION**  
Notes to Financial Statements (Continued)  
June 30, 2011 and 2010

(1) **Summary of Significant Accounting Policies (Continued)**

D. Assets, liabilities, and net assets

The following accounting policies are followed in preparing the financial statements:

Cash and Cash Equivalents - The Commission considers demand deposits, certificates of deposit, and all other highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Commission's deposits in banks were entirely covered by federal depository insurance or as part of a state collateral pool that insures funds held for government entities by financial institutions. State law limits the investment vehicles that may be used by the Commission. All of the Commission's funds are held in financial institutions located in Iowa.

Accounts Receivable - Accounts receivable consists primarily of contracted fare revenue and billings for planning services and receivables from grantor agencies. Reimbursement procedures used for grants and contracts may result in timing differences between program reimbursements and expenses as of the beginning and end of the year. Receivables from grantor agencies represent an excess of expenses over cash basis reimbursements at year end. Management believes that all receivables are collectible and therefore no allowance is recorded.

Capital Assets - Capital assets, which include buildings, furniture and fixtures and vehicles, are reported in the Statements of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. 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. Reportable capital assets are determined by the Commission as assets with initial, individual costs in excess of \$500 and useful lives in excess of 3 years. Capital assets of the Commission are depreciated using the straight-line method over the estimated useful lives of the respective assets, generally 3 to 10 years.

Indirect Expense Allocation - The Commission utilizes cost allocation methods to distribute certain direct and indirect costs to its various programs. Costs which are common to more than one program have been identified and classified into cost pools. These cost pools have been allocated to the programs based on formulas developed by the Commission for each pool. The formulas are primarily based on mileage within the cost center area to total mileage or are based on hours spent in a cost center area as a percentage of total hours.

Federal and State Grants - Federal and state grants are made available to the Commission for the acquisition of public transit facilities, planning studies, buses or other transit equipment. Unrestricted operating grants and grants restricted as to purpose, but not contingent on the actual expenses of funds, are recognized when the right to the funds becomes irrevocable. Where the expenditure of the funds is the prime factor for determining the eligibility for the grant proceeds, the grant is recognized at the time when the expenditure is incurred.

Deferred Revenue - Deferred revenue represents grant funds received for which disbursements have not occurred.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**REGION SIX PLANNING COMMISSION**  
Notes to Financial Statements (Continued)  
June 30, 2011 and 2010

**(2) Capital Assets**

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets being depreciated:				
Buildings	\$ 484,031	-	-	484,031
Furniture and fixtures	21,553	-	-	21,553
Vehicles	986,993	93,374	-	1,080,367
Total capital assets	<u>1,492,577</u>	<u>93,374</u>	<u>-</u>	<u>1,585,951</u>
Less accumulated depreciation:				
Buildings	16,031	12,411	-	28,442
Furniture and fixtures	17,303	511	-	17,814
Vehicles	679,525	92,077	-	771,602
	<u>712,859</u>	<u>104,999</u>	<u>-</u>	<u>817,858</u>
Capital assets, net	<u>\$ 779,718</u>	<u>(11,625)</u>	<u>-</u>	<u>768,093</u>

Depreciation was charged to the following functions:

General Administration	\$ 12,922
Transit Administration	92,077
Total depreciation	<u>104,999</u>

**(3) LHAP Notes Receivable**

On January 29, 2000, the Commission received a Local Housing Assistance Plan (LHAP) grant in the amount of \$200,000. The funding for the grant was an appropriation of the Iowa Department of Economic Development (IDED) by the state legislature for the LHAP program (established under the 1999 Iowa Code) and an agreement with the Iowa Finance Authority (as authorized by 2000 Iowa Acts, House File 2422). The Commission was to provide ten-year, low interest loans in amounts to \$10,000. Households benefiting from LHAP loans were to have income at or below 110% of the county median income limit. Two loans were administered under this agreement. Amendment Four to the agreement allowed for forgivable loans of the remaining funds, with 20% of the loan amount forgiven for each year that the recipient remained in the home. The outstanding principal balance on the one remaining LHAP loan is \$1,490. Repaid funds will be used as a match for the Region Six Housing Trust Fund.

# REGION SIX PLANNING COMMISSION

## Notes to Financial Statements (Continued)

June 30, 2011 and 2010

### (4) RLF Notes Receivable

On April 30, 2001, the Commission received a grant from the U.S. Department of Commerce Economic Development Administration in the amount of \$150,000, under Title II, Section 209 of the Economic Development Reform Act of 1998. The grant is the federal contribution to a Revolving Loan Fund (RLF). The loan recipient must contribute a matching amount, providing for a total of \$300,000. The minimum interest rate that may be charged on all RLF loans will be no lower than four percentage points below the current money center prime rate as quoted in the Wall Street Journal, but no less than four percent. During the year ended June 30, 2011, no new loans were granted, and during the year ended June 30, 2010, three loans totaling \$120,000 were granted at an interest rate of five percent. Management considers the remaining notes receivable to be collectible and therefore, no allowance has been recorded.

### (5) Restricted assets

Restricted net assets consist of the following restricted amounts:

Restricted for purchase of capital assets	\$	20,672
Restricted for LHAP loan program		2,202
Restricted for RLF program		<u>78,204</u>
Total restricted net assets	\$	<u>101,078</u>

### (6) Operating Leases

In March 2011, the Commission entered into a sixty month operating lease for the use of a copier. The lease requires monthly payments of \$210, and the final monthly payment was also made in March 2011 as a down payment. Lease payments of \$2,520 were made for each of the years ended June 30, 2011 and 2010. The remaining lease commitment is \$2,520 for each of the years ended June 30, 2012 through June 30, 2015 and \$1,680 for the year ended June 30, 2016.

In January 2008, the Commission entered into a forty-eight month operating lease for the use of a postage meter system. The lease requires monthly payments of \$66. Lease payments of \$792 were made for each of the years ended June 30, 2011 and 2010. The remaining lease commitment is \$396 for the year ended June 30, 2012. If the Commission cancels the lease prior to the termination date, a termination charge equal to the net present value of the remaining monthly payments discounted to a present value at a rate of 6% must be paid.

On May 1, 2008, a 28E Agreement with the City of Marshalltown commenced whereby the Commission will lease land for a term of 50 years for the sum total of \$50. The Agreement entitled the Commission to erect an office building on the leased site. The City pays the cost of providing water and sewer services to the building and a parking lot with ten parking spaces. In addition, the City allows specified use of the City Public Works building for training, storage and bus parking. The value of the land leased at below fair market value, the water and sewer services to the new building, and the parking spaces is estimated at \$70,500 and is recorded as a prepaid lease at June 30, 2011.

If the Commission dissolves or ceases to utilize the building on the leased property during the term of the land lease, the City shall have the option to purchase the building at 70% of its fair market value and terminate the lease. Alternatively, the City may choose not to purchase the office building and will instead convey and deed the ground to Region Six Planning Commission for 30% of the fair market value of the office building.

**REGION SIX PLANNING COMMISSION**  
Notes to Financial Statements (Continued)  
June 30, 2011 and 2010

**(7) Capital Loan Note**

Annual debt service requirements to maturity for the capital loan note are as follows:

	Date of Issue	Interest Rate	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2011
Capital Loan	December 2008	0%	June 2014	\$10,000	\$50,000	\$30,000

Proceeds from the note provided partial financing for the construction of the office building.

**(8) Compensated Absences**

Region Six Planning Commission employees accumulated a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized by the Commission until used or paid. The Commission's approximate liability for earned vacation termination payable to employees at June 30, 2011 is as follows:

Type of Benefit	Amount
Vacation	<u>\$23,695</u>

The liability has been computed based on rates of pay in effect at June 30, 2011.

**(9) Pension and Retirement Benefits**

The Commission contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the Commission is required to contribute 6.95% of covered salary. Contribution requirements are established by state statute. The Commission's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$45,131, \$37,007 and \$35,691, respectively, equal to the required contributions for each year.

**(10) Risk Management**

The 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 SIX PLANNING COMMISSION**

## **Notes to Financial Statements (Continued)**

June 30, 2011 and 2010

**(11) Economic Dependency**

The Commission received both operating and capital asset acquisition funds from the state and federal Department of Transportation. A significant reduction in these funds would adversely affect the Commission's operating results.

**(12) Date of Management Evaluation**

Management has evaluated subsequent events through January 20, 2012, the date on which the financial statements were available to be issued.

## REGION SIX PLANNING COMMISSION

### Schedule of Revenues, Expenses and Changes in Balances - Budget and Actual For the Year ended June 30, 2011

	Original and Final Budget	Actual	Final to Actual Variance Positive (Negative)
Revenue:			
EDA planning	\$ 345,432	47,170	(298,262)
Community planning	-	400,893	400,893
Transportation planning	70,706	67,573	(3,133)
Housing Preservation Grant	2,000	-	(2,000)
Flood 2008	80,000	-	(80,000)
Flood 2010	305,000	399,626	94,626
Iowa Connections	100	-	(100)
EDA Revolving Loan Fund	100,000	-	(100,000)
Transit operations	721,885	701,286	(20,599)
Total revenues	<u>1,625,123</u>	<u>1,616,548</u>	<u>(8,575)</u>
Expenses:			
EDA planning	331,020	72,137	258,883
Community planning	-	187,657	(187,657)
Transportation planning	92,755	84,438	8,317
Housing Preservation Grant	2,000	19,651	(17,651)
Flood 2008	80,000	-	80,000
Flood 2010	300,000	355,860	(55,860)
Iowa Connections	100	75	25
EDA Revolving Loan Fund	100,000	-	100,000
Transit operations	772,318	820,990	(48,672)
Total expenses	<u>1,678,193</u>	<u>1,540,808</u>	<u>137,385</u>
Excess (deficiency) of receipts over expenses	(53,070)	75,740	128,810
Capital expenditures	(60,000)	(93,374)	(33,374)
Transit equipment grant and vehicle sale	50,200	-	(50,200)
Net capital expenditures	<u>(9,800)</u>	<u>(93,374)</u>	<u>(83,574)</u>
Excess of receipts and other financing sources over expenses and capital expenditures	(62,870)	(17,634)	45,236
Balances, beginning of year	291,214	1,038,336	747,122
Balances, end of year	<u>\$ 228,344</u>	<u>1,020,702</u>	<u>792,358</u>

# **REGION SIX PLANNING COMMISSION**

## **Notes to Budgetary Reporting For the Year ended June 30, 2011**

The Commission's Board of Directors annually prepares a budget on an accrual basis. Although the budget document presents disbursements by cost center, the level of control is at the total expense level, not by cost center. The Board of Directors reviews the proposed budget and grants for final approval. The budget may be amended during the year. The budget is considered a useful planning tool and is recommended even though there is no statutory requirement for a budget in this organization.

# REGION SIX PLANNING COMMISSION

## Schedule of Expenditures of Federal Awards

For the Year ended June 30, 2011

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Project Number</u>	<u>Federal Expenditures</u>
<b>Direct:</b>			
U.S. Department of Commerce:			
Economic Development Administration:			
Economic Adjustment Revolving Loan Fund	11.307	05-79-03546	\$ <u>150,000</u>
Economic Development Support for Planning Organizations	11.302	05-83-04915-1	17,170
Economic Development Support for Planning Organizations	11.302	05-83-04915	<u>30,000</u>
			<u>47,170</u>
<b>Total direct awards</b>			<u>197,170</u>
<b>Indirect:</b>			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
North Iowa Area Council of Governments:			
Community Development Block Grant/State's Programs and Non-Entitlement Grants in Hawaii	14.228	08-DRH-002	93,594
Community Development Block Grant/State's Programs and Non-Entitlement Grants in Hawaii	14.228	08-DRB-208	<u>24,027</u>
			<u>117,621</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Formula Grants for Other Than Urbanized Areas	20.509		5,872
Formula Grants for Other Than Urbanized Areas	20.509	85-0032-060-10	74,698
Formula Grants for Other Than Urbanized Areas	20.509	18-0029-060-11	<u>151,839</u>
			<u>232,409</u>
Iowa Association of Regional Councils:			
Highway Planning and Construction	20.205	11RPA-06	<u>45,779</u>
State Planning and Research	20.515	11RPA-06	<u>21,793</u>
New Freedom Program	20.521	STA-SPEC-060-FY11	<u>8,514</u>
New Freedom Program	20.521	57-X008-060-11	<u>5,250</u>
<b>Total indirect awards</b>			<u>431,366</u>
<b>Total federal expenditures</b>			<u>\$ <u>628,536</u></u>

**REGION SIX PLANNING COMMISSION**  
Schedule of Expenditures of Federal Awards (Continued)  
For the Year ended June 30, 2011

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Region Six Planning Commission and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.



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

To the Board Members of  
Region Six Planning Commission:

We have audited the accompanying financial statements of Region Six Planning Commission, as of and for the years ended June 30, 2011 and 2010, and have issued our report thereon dated January 20, 2012. We conducted our audits 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 audits, we considered Region Six Planning Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Region Six Planning Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Region Six Planning Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control over financial reporting that we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

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 combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Region Six Planning Commission's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 and II-B-11 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-C-11, II-D-11 and II-E-11 to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Region Six Planning 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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. We noted no instances or other matters that we consider to be immaterial non-compliance.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. Since our audits were 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.

Region Six Planning Commission's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the Commission's responses, we did not audit Region Six Planning Commission's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Region Six Planning Commission and other parties to whom Region Six Planning Commission may report, including federal awarding agencies and pass-through entities. 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 personnel of Region Six Planning Commission 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.

Bowman and Miller, P.C.

January 20, 2012



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Independent Auditors' Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Board Members of  
Region Six Planning Commission:

Compliance

We have audited Region Six Planning Commission's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on Region Six Planning Commission's major federal programs for the year ended June 30, 2011. Region Six Planning Commission's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Region Six Planning Commission's management. Our responsibility is to express an opinion on Region Six Planning Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, 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 non-compliance 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 Region Six Planning Commission'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. Our audit does not provide a legal determination of Region Six Planning Commission's compliance with those requirements.

In our opinion, Region Six Planning Commission complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Region Six Planning Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered

Region Six Planning Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Region Six Planning Commission'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 a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials and employees of Region Six Planning Commission and other parties to whom Region Six Planning Commission may report, including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bowman and Miller, P.C.

January 20, 2012

# REGION SIX PLANNING COMMISSION

## Schedule of Findings and Questioned Costs

Year ended June 30, 2011

### Part I: Summary of the Independent Auditors' Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including two material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses over internal control for major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
  - CFDA Number 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
  - CFDA Number 20.509 – Formula Grants for Other Than Urbanized Areas
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Region Six Planning Commission did not qualify as a low-risk auditee.

# REGION SIX PLANNING COMMISSION

## Schedule of Findings and Questioned Costs

Year ended June 30, 2011

### Part II: Findings Related to the Financial Statements:

#### INTERNAL CONTROL DEFICIENCIES:

II-A-11 Segregation of Duties – During our review of internal control, the existing control procedures were evaluated to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Commission's financial statements. We noted that generally one or two individuals may have control over the following areas for which no compensating controls exist:

- 1) All incoming mail is not opened by an employee who is not authorized to make entries to the accounting records. A list of money and checks received is not prepared by the person opening the mail. The initial listing is not compared with cash receipts by an independent person.
- 2) One employee has primary control over collecting, deposit preparation, accounts receivable, and posting receipts.
- 3) Bank accounts are not reconciled by an individual who does not sign checks, handle or record cash.

Recommendation – We realize that segregation of duties is difficult with a limited number of office employees. The Commission should review its operating procedures to obtain the maximum control possible under the circumstances. The Commission should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews would be performed by independent persons, to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – The Commission will review their office policies and attempt to segregate duties where possible. Where segregation of duties is not possible, the Commission will implement additional reviews by supervisory personnel.

Conclusion – Response accepted.

II-B-11 Computer System Control – The design and controls established over the computer system process is important for providing assurance and financial integrity of the Commission's financial records. We noted several weaknesses in the Commission's computer policies and controls.

Recommendations –

- (1) Every user should have a unique password. Access should be removed immediately upon termination.
- (2) Passwords should be changed at least every 60 to 90 days.

# REGION SIX PLANNING COMMISSION

## Schedule of Findings and Questioned Costs

Year ended June 30, 2011

### II-B-11 (Continued)

- (3) A password history should be maintained.
- (4) Screen saver passwords could be established to protect unattended terminals.
- (5) Security software should be established to prevent use of unauthorized software.
- (6) A written disaster recovery plan should be implemented.

Response – We will consider these recommendations.

Conclusion – Response accepted.

### II-C-11 Balancing accounts – During the audit, we noted that the Commission's accounts receivables, grant receivables, fixed assets, and net asset accounts were not adjusted to their appropriate balance as of June 30, 2011.

Condition - The Commission did not adjust the accounts above prior to the start of the audit due to a lack of documentation and expertise as to prior year processes.

Context - Significant Commission and auditor entries were needed to adjust the Commission's accounts at year end.

Effect - Actual results were not adjusted for audit.

Recommendation - We recommend the Commission establish a procedure to properly reconcile and adjust to actual amounts on the general ledger for all listed accounts.

Response- Another professional accounting firm will be engaged to reconcile and balance the general ledger annually.

Conclusion- Response accepted.

### II-D-11 Bank Reconciliations – The Commission's general checking account was not reconciled at year end.

Recommendation – To improve financial accountability and control, bank balances should be reconciled monthly to general ledger balances and variances resolved on a timely basis.

Response – Following the transition to a new accounting software during the middle of the year, there were continual outstanding variances in the bank reconciliation. After repeated review by staff, it was decided to leave the account out of balance and resolve with the auditors. In the future, the accounting firm hired to assist will help resolve any outstanding variances prior to the audit.

Conclusion – Response accepted.

# REGION SIX PLANNING COMMISSION

## Schedule of Findings and Questioned Costs

Year ended June 30, 2011

- II-E-11 Preparation of Financial Statements – The Commission does not have the expertise necessary for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures; can be considered costly and ineffective. However, the Commission's management and those charged with governance should decide whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – The Commission will hire another accounting firm to review the records and make appropriate adjustments, especially at year end.

Conclusion – Response accepted.

### INSTANCES OF NON-COMPLIANCE:

No matters were noted.

### Part III: Findings and Questioned Costs for Federal Awards:

#### INSTANCES OF NON-COMPLIANCE:

No matters were noted.

#### INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

### Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-11 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-B-11 Travel expense – No expenditures of Commission money for travel expenses of spouses or Commission's officials or employees were noted.
- IV-C-11 Business Transactions – No business transactions between the Commission and Commission officials or employees were noted.
- IV-D-11 Board minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-E-11 Official Depositories – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Commission's investment policy were noted.