REGION V HAZARDOUS MATERIALS RESPONSE COMMISSION

FORT DODGE, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SCHEDULE OF FINDINGS

JUNE 30, 2012

CONTENTS

OFFICIALS		1
INDEPENDENT AUDITOR'S REPORT		2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)		4-7
BASIC FINANCIAL STATEMENTS	**Exhibit**	
Government-Wide Financial Statements:		
Statement of Net Assets – Modified Cash Basis	A	8
Statement of Activities – Modified Cash Basis	B	9
Governmental Fund Financial Statements:		
Statement of Net Assets – Cash Basis	C	10
Reconciliation of Net Assets – Cash Basis to the Statement of Net Assets – Modified Cash Basis	D	11
Statement of Cash Receipts, Disbursements, and Changes in Net Assets – Cash Basis	E	12
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Net Assets – Cash Basis to the Statement of Activities – Modified Cash Basis	F	13
Notes to Financial Statements		14-18
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		19-20
Schedule of Findings		21-22

REGION V HAZARDOUS MATERIALS RESPONSE COMMISSION

Fort Dodge, Iowa

BOARD OF DIRECTORS

Stan Watne, Chairman

COUNTY	*SUPERVISOR*	*ALTERNATE*
Calhoun	Scott Jacobs	Kerrie Hull, EMA
Carroll	Dan Nieland	Sara Nielsen, EMA
Greene	Tom Contner	Dennis Morlan, EMA
Hamilton	David Young	Phil Queen, EMA
Humbolddt	Harlan Hansen	Mort Christianson, Supervisor
Pocahontas	Ed Dewey	Tim McKiernan, EMA
Sac	Jack Bensley	James Bullock, EMA
Webster	Eddie Peterson	Tony Jorgensen, EMA
Wright	Stan Watne	Jim Lester, EMA

OTHER REPRESENTATIVES

Fort Dodge	Curt Olson, City Council	David Luers, Fire Chief
LEPC Chairperson	Tony Jorgensen	

SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

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, 2012, which collectively comprise the Commission's basic financial statements listed in the table of contents. 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 opinions.

As described in Note 1, these government-wide financial statements are prepared on the modified cash basis of accounting and the government funds financial statements are prepared on the cash basis of accounting. Both of the accounting methods are a 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 June 30, 2012 and the modified cash basis and cash basis financial operating results and changes in net assets 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 February 23, 2013, 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 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 audit.

Management's Discussion and Analysis on pages 4 through 7 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 on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Region V Hazardous Materials Response Commission's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with another comprehensive basis of accounting. Other supplementary is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Schnarr & Company, LLP

Fort Dodge, Iowa
February 23, 2013

REGION V HAZARDOUS MATERIALS RESPONSE COMMISSION

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, 2012. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Revenues of Region V Hazardous Materials response Commission's governmental activities decreased 8.24%, or approximately $20,000, from fiscal 2011 to fiscal 2012.
- Expenses decreased 14.55%, or approximately $32,000, from fiscal 2011 to fiscal 2012.
- Region V Hazardous Materials Response Commission's total modified cash basis net assets increased 17.55%, or approximately $28,000 from Fiscal 2011 to Fiscal 2012.
- Revenue decreased as a result of decreases in county contributions and Federal grants received.

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 Statements consist 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 statements by providing information about the most significant funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 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 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 positions 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 and 2) the Special Revenue Funds, such as grant funds.

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.

REPORTING THE REGION'S FINANCIAL ACTIVITIES (CONTINUED)

Fund Financial Statement (Continued)

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 increased from a year ago, from $131,832 to $166,817. The analysis that follows focuses on the changes in cash balances for governmental activities.

Statement of Cash Receipts, Disbursements and Changes in Net Assets - Cash Basis
As of and For the Year Ended June 30, 2012

Receipts:	
County contributions	$ 134,212
Federal grants	64,660
Investment income	569
Incident reimbursements	20,795
Other income	272
Total receipts	220,508
Disbursements:	
Planning grant expense	15,366
Training grant expense	21,670
Task force grant expense	25,629
Administration	49,196
Commission, general	6,804
Office expense	3,874
Auto/Truck	976
Team expense	6,755
Team contract paid to City	30,461
Team, supplies and miscellaneous	18,745
Insurance	6,047
Total disbursements	185,523
Excess of receipts over disbursements	34,985
Cash basis net assets, beginning of year	131,832
Cash basis net assets, end of year	$ 166,817

GOVERNMENTAL FUND FINANCIAL ANALYSIS (CONTINUED)

Region V Hazardous Materials Response Commission's total receipts for governmental activities decreased by 8.24%, or $19,799. Region V Hazardous Materials Response Commission's decrease in receipts was primarily the result of decreases in county contributions and Federal grants received.

The cost of Region V Hazardous Materials Response Commission activities this year was $185,523 compared to $217,118 last year. The decrease in 2012 costs was due mainly to the decrease in grant expenses.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As Region V Hazardous Materials Response Commission completed this year, its funds reported a fund balance of $166,817, an increase of $34,985 from last year's total of $131,832.

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 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, Finance Manager, PO Box 1736, Fort Dodge, IA 50501.

REGION V HAZARDOUS MATERIALS RESPONSE COMMISSION

BASIC FINANCIAL STATEMENTS

REGION V HAZARDOUS MATERIALS RESPONSE COMMISSION
Fort Dodge, Iowa

Exhibit A

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
June 30, 2012

Assets	**Governmental Activities**
Cash	$ 166,817
Capital assets, net of accumulated depreciation	17,835
Total assets	$ 184,652
Net Assets	
Invested in capital assets	$ 17,835
Unrestricted	166,817
Total net assets	$ 184,652

See Notes to Financial Statements.

REGION V HAZARDOUS MATERIALS RESPONSE COMMISSION **Exhibit B**
Fort Dodge, Iowa

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
Year Ended June 30, 2012

		Program Revenues		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Asset Activities
Functions/Programs:				
Planning grant expense	$ 15,366	$ -	$ 18,106	$ 2,740
Training grant expense	21,670	-	20,925	(745)
Task force grant expense	25,629	-	25,629	-
Administration	49,196	-	-	(49,196)
Commission, general	6,804	-	-	(6,804)
Office expense	3,874	-	-	(3,874)
Auto/Truck	976	-	-	(976)
Team expense	6,755	-	-	(6,755)
Team contract paid to City	30,461	20,795	-	(9,666)
Team supplies and miscellaneous	18,745	272	-	(18,473)
Insurance	6,047	-	-	(6,047)
Depreciation	7,417	-	-	(7,417)
Total functions/programs	192,940	21,067	64,660	(107,213)
General revenues:				
County contributions				134,212
Interest on income				569
Total general revenues				134,781
Change in net assets				27,568
Net assets beginning of year				157,084
Net assets end of year				$ 184,652

See Notes to Financial Statements.

REGION V HAZARDOUS MATERIALS RESPONSE COMMISSION **Exhibit C**
Fort Dodge, Iowa

STATEMENT OF NET ASSETS -- CASH BASIS
June 30, 2012

	General	Special Revenue HMEP Grant	Total
ASSETS			
Cash	$ 166,817	$ -	$ 166,817
Due from special revenue	31,011	-	31,011
Total assets	$ 197,828	$ -	$ 197,828
Due to general	$ -	$ 31,011	$ 31,011
NET ASSETS			
Unreserved	197,828	(31,011)	166,817
Total net assets	$ 197,828	$ -	$ 197,828

See Notes to Financial Statements.

REGION V HAZARDOUS MATERIALS RESPONSE COMMISSION **Exhibit D**
Fort Dodge, Iowa

RECONCILIATION OF THE STATEMENT OF NET ASSETS -- CASH BASIS TO THE STATEMENT OF NET ASSETS -- MODIFIED CASH BASIS
June 30, 2012

Total net assets of governmental funds (page 10)	$	166,817
Amount reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in government activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		17,835
Net assets of governmental activities (page 8)	$	184,652

See Notes to Financial Statements.

REGION V HAZARDOUS MATERIALS RESPONSE COMMISSION **Exhibit E**
Fort Dodge, Iowa

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET ASSETS -- CASH BASIS
As of and for the Year Ended June 30, 2012

	General	Special Revenue HMEP Grant	Total
Receipts:			
County contributions	$ 134,212	$ -	$ 134,212
Federal grants	-	64,660	64,660
Interest on income	569	-	569
Incident reimbursements	20,795	-	20,795
Other income	272	-	272
Total receipts	155,848	64,660	220,508
Disbursements:			
Administration	49,196	-	49,196
Commission-General	6,804	-	6,804
Office expense	3,874	-	3,874
Auto/Truck expense	976	-	976
Team expense	6,755	-	6,755
Team contract paid to City	30,461	-	30,461
Training expense	-	21,670	21,670
Planning expense	-	15,366	15,366
Task for expense	-	25,629	25,629
Team misc. supplies & expense	18,745	-	18,745
Insurance expense	6,047	-	6,047
Total disbursements	122,858	62,665	185,523
Excess (deficiency) of receipts over (under) disbursements	32,990	1,995	34,985
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
	-	-	-
Excess (deficiency) of receipts over (under) disbursements	32,990	1,995	34,985
Cash basis net assets, beginning of year	164,838	(33,006)	131,832
Cash basis net assets, end of year	$ 197,828	$ (31,011)	$ 166,817

See Notes to Financial Statements.

REGION V HAZARDOUS MATERIALS RESPONSE COMMISSION
Fort Dodge, Iowa

Exhibit F

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, 2012

Excess of receipts over disbursements (page 12)	$	34,985
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. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:		
Depreciation expense		(7,417)
Change in net assets of governmental activities (page 9)	$	27,568

See Notes to Financial Statements.

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 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 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 Net Assets and the Statement of Activities report information on all of the activities of the Commission. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities and Net Assets presents the Commission's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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.

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 that are imposed by management, but can be removed or modified.

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued):

Government-wide Financial Statements (continued) - 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 and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The Commission reports the following major governmental fund:

General Fund:

The General Fund is the general operating fund of the Commission. All general 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 disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Special Revenue Fund represents the activity from the Hazardous Materials Emergency Preparedness Grant (HMEP).

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 and the proprietary fund financial statements are prepared on the modified cash basis of accounting. Under that basis, only the assets, liabilities, fund balances, receipts and disbursements 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.

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued):

Government-wide Financial Statements (Continued):

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.

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 life 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 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 extremely imposed by creditor, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Note 1. Summary of Significant Accounting Policies (Continued)

Subsequent events: Subsequent events have been evaluated through February 23, 2013, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

Note 2. Cash

The Commission's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The 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 evidence 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; warrants or improvement certificated of a drainage district.

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.

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets being depreciated:				
Equipment	$ 454,581	$ -	$ -	$ 454,581
Less accumulated depreciation for:				
Equipment	(429,329)	(7,417)		(436,746)
Total capital assets, net	$ 25,252	$ (7,417)	$ -	$ 17,835

Note 5. Deficit Fund Balance

The Special Revenue, HEMP Grant Fund had a deficit balance of $31,011 at June 30, 2012. The deficit balance was a result of receipts not being received from an expense reimbursement request to the state. The deficit will be eliminated upon receipt of reimbursement request.

REGION V HAZARDOUS MATERIALS RESPONSE COMMISSION

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

SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

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

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 year ended June 30, 2012 and have issued our report thereon dated February 23, 2013. Our report expressed unqualified opinions on the financial statements that 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 was not designed to 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 certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the 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 a material misstatement of the financial statements will not be prevented or detected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weaknesses, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings to be significant deficiencies.

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, 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*.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2012 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.

Region V Hazardous Materials Response 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 V Hazardous Materials Response 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 of Region V Hazardous Materials Response Commission and other parties to whom the Region V Hazardous Materials Response 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.

We would like to acknowledge the many courtesies and assistance extended to us by officials of Region V Hazardous Materials Response 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.

Schnurr & Company, LLP

Fort Dodge, Iowa
February 23, 2013

REGION V HAZARDOUS MATERIALS RESPONSE COMMISSION
Fort Dodge, Iowa

Schedule of Findings
Year Ended June 30, 2012

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES

I-A-12 Segregation of Duties – One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. We noted that substantially all aspects of the accounting functions are performed by one person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the Commission should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – We will investigate available alternatives and implement as soon as possible.

Conclusion – Response accepted.

I-B-12 Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting. The Region V Hazardous Materials Response Commission does not have any internal control system designed to provide for the preparation of financial statements, including the accompanying footnotes required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit,* requires us to communicate this matter to those charged with governance.

As auditors, we were requested to draft the financial statements and accompanying notes to financial statements. The outsourcing of these services is not unusual in an organization of your size.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with the cash basis of accounting can be considered costly and ineffective. However, it is the responsibility of the Commission's management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources to remain current on the reporting requirements and corresponding footnote disclosures would lack benefit in relation to costs, but will continue evaluating on a going forward basis.

Conclusion – Response accepted.

Schedule of Findings (Continued)
Year Ended June 30, 2012

Part II: Other Findings Related to Statutory Reporting:

II-A-12 Commission Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Region V Hazardous Materials Response 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.

Schnarr & Company, LLP

Fort Dodge, Iowa
February 23, 2013