Region 6 Planning Commission
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
For the year ended June 30, 2013

TABLE OF CONTENTS

Region 6 Planning Commission

List of Officials

Name	Title	Representing
Gordon Canfield	Chair	Grinnell
Kendall Jordan	Vice-Chair	Tama County
Dave Thompson	Secretary/Treasurer	Marshall County
Roger Luehring	Member	Gladbrook and CGA Consultants
Michael Spohnheimer	Member	Marshalltown
Larry Wilson	Member	Poweshiek County
Jody Anderson	Member	Iowa Falls
Cindy Schulte	Member	Iowa Valley Community College District
Mark Schoborg	Member	Central Iowa Water Association
Trudi Scott	Member	Gladbrook
Lynn Olberding	Member	Marshalltown Chamber
Lance Granzow	Member	Hardin County

HAYES & ASSOCIATES, L.L.C.
Certified Public Accountants | Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Region 6 Planning Commission

Report on the Financial Statements

We have audited the accompanying financial statements of Region 6 Planning Commission (the Commission) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Region 6 Planning Commission, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 - 8 and 23 -24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise the Region 6 Planning Commission's basic financial statements. The list of officials is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

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

The list of officials has not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated March 26, 2014 on our consideration of Region 6 Planning Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Region 6 Planning Commission's internal control over financial reporting and compliance.

Hayes & Associates, LLC

Hayes & Associates
Omaha, Nebraska
March 26, 2014

The FY 2012 Audit Report Cash and Equivalent was $266,659. The FY 2013 Audit Report Cash was $570,726 an increase of $304,067. This report provides some details about how the cash position changed from 2012 to 2013.

Accounts receivable in 2013 was $117,963 whereas in 2012 it was $282,193 a decrease of $164,230. This explains 54% of the cash increase.

The total assets of Region 6 Planning increased from $1,723,944 in FY 2012 to $1,763,189 in FY 2013. This is a $39,245 increase or 2.3%.

Attachment "A" here is to provides a summary of expenses and revenues by Region 6 Planning Commission projects. There are three major categories – planning services, general administration, and Peoplerides operating and capital. The summaries below are by those categories.

The planning program had a surplus for FY 2013 in the amount of $179,993. It is important to note that the general administration negative revenue of $99,557 is nearly all non-classified planning project revenue. This would net a surplus in the planning program of about $80,436. The HOME project will not net a surplus of $61,684. That surplus amount is a fiscal year issue – there will be no surplus with the grant. The grant administration area had a $60,966 surplus. It is important to note that nearly all of the surplus is attributable to an Iowa Finance Authority inspection contract that was not renewed at the state level – we will not see any funds from that in FY 2014. The HOME project was primarily done the first half of FY 2014. The IARC mobility manager deficit is a fiscal year issue. The planning dues and state cog support is used to provide the 20 or 50% match respectively for the transportation planning and EDA planning functions.

The Peoplerides program ended the year with a $98,066 operating and capital surplus. Only one vehicle was purchased – a Nissan conversion van. Federal transit funds reimbursed $26,102 of the $50,765 vehicle (51%). Four vehicles are funded for replacement with around 80% grant funds in the remaining part of FY 2014 or into 2015. Peoplerides has 4 additional vehicles that need to be replaced, but there is insufficient funding for several years.

The general administration expenses total of $91,777 includes $125,003 of depreciation expense. It is important to note that on a quarterly basis general administration type expenses are allocated following a board approved cost allocation plan to different cost centers – planning & transit. Salaries that are generally charged to general administration include accounting and about 10% of the Executive Director's time. On average, over the year, 37% of the general administration expenses are allocated to Peoplerides and 63% to planning services. On a cost basis, 46% of the costs are attributable to planning and 54% to Peoplerides, but that is not the cost allocation basis.

Region 6 Planning ended the year with a $78,569 without the EDA RLF account and $86,725 with the EDA RLF account.

Some of the challenges facing Region 6 Planning in the future include –

- Funding to replace worn out high mileage transit vehicles;
- Funding to support past activities like owner occupied housing improvement or homeownership assistance grants;
- Continued federal support for activities like HOME grant, EDA support, and CDBG support for funded projects (water & sewer, downtown facades, and housing);
- Maintaining Region 6 Planning key skilled positions;
- Ability to retain staff in the planning area with almost annual funding changes due to changing projects; and
- Ability to find and retain transit drivers.

Region 6 Planning Commission
MNAGEMENT DISCUSSION & ANALYSIS - CONTINUED
For the year ended June 30, 2013

ATTACHMENT A

TOTAL REGION SIX PLANNING

Planning	**Expenses 12/13**	**Revenue 12/13**	**Revenue - Expenses 12/13**
Planning Dues & State COG Support	$ -	$ 52,975	$ 52,975
Grant Administration, Planning, Hsg Asst Admin	118,016	178,982	60,966
HOME grant	232,042	293,726	61,684
EDA Planning	85,396	128,490	43,094
Transportation Planning	95,216	73,471	(21,745)
IARC Mobility Manager	89,795	72,883	(16,912)
Allocated Planning	-	-	-
TOTAL REGULAR PLANNING	620,465	800,527	180,062
Flood 08	69	-	(69)
TOTAL DISASTER SPECIAL PROGRAMS	69	-	(69)
TOTAL PLANNING	**620,534**	**800,527**	**179,993**
SURPLUS	**179,993**		
EDA - Revolving Loan Fund	69	8,225	8,156
TOTAL SPECIAL FUND ACCOUNTS	**69**	**8,225**	**8,156**
General Administration - Non Allocated	**91,777**	**(99,557)**	**(191,334)**
Peoplerides			
Operating & Capital	**725,131**	**823,197**	**98,066**
PEOPLERIDES SURPLUS	98,066		
REGION 6 PLANNING FY 13, WITHOUT SPECIAL FUND ACCOUNTS	**1,437,373**	**1,515,942**	**78,569**
REGION 6 PLANNING FY 13 ENDING BALANCE, WITH SPECIAL FUND ACCOUNTS	**$ 1,437,511**	**$ 1,532,392**	**$ 94,881**

Region 6 Planning Commission
STATEMENT OF NET POSITION
June 30, 2013

ASSETS		
CURRENT ASSETS		
Cash - unrestricted	$	570,726
Cash - restricted		41,252
Receivables:		
Accounts receivable		117,963
Interest receivable		255
Prepaid expenditures		37,886
Prepaid lease - current portion		1,410
Notes receivable - current portion:		
RLF notes receivable		44,339
Total current assets		813,831
NON-CURRENT ASSETS		
Notes receivable, net of current portion:		
RLF notes receivable		117,971
Prepaid lease		61,805
Capital assets		1,552,802
Less accumulated depreciation		(783,220)
Total non-current assets		949,358
Total assets	$	1,763,189
LIABILITIES AND NET POSITION		
Current liabilities:		
Accrued payroll and payroll liabilities	$	27,212
Accrued vacation		17,874
Unearned revenue		190
Note payable - current portion		10,000
Total current liabilities		55,276
Net position:		
Net investment in capital assets		759,582
Restricted		41,825
Unrestricted		906,506
Total net position		1,707,913
Total liabilities and net position	$	1,763,189

See accompanying notes and independent auditor's report.

Region 6 Planning Commission
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the year ended June 30, 2013

SUPPORT REVENUE:	
Federal grants	$ 609,223
State appropriations	209,937
Local support	52,975
Total support	872,135
PROGRAM REVENUE:	
Planning and transit	652,414
Total support and revenue	1,524,549
OPERATING EXPENSES:	
Planning contracts	620,603
Transit expenses	725,131
General administrative	91,777
Total expenditures	1,437,511
OPERATING INCOME	87,038
NON-OPERATING REVENUES	
Interest income	118
RLF interest income	7,725
Total non-operating revenue	7,843
CHANGE IN NET POSITION	94,881
NET POSITION, BEGINNING OF YEAR	1,613,032
NET POSITION, END OF YEAR	$ 1,707,913

See accompanying notes and independent auditor's report.

Region 6 Planning Commission
STATEMENT OF CASH FLOWS
For the year ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from federal support	$ 609,223
Cash received from state support	210,127
Cash received from other receivables	869,619
Cash paid for goods and services	(1,350,596)
Cash paid for employees and benefits	(8,300)
NET CASH PROVIDED BY OPERATING ACTIVITIES	330,073
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	(51,390)
Payment on note payable	(10,000)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	(61,390)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Payments of notes receivable	34,374
Notes receivable advanced	(72,600)
Interest received on bank accounts	8,105
NET CASH (USED) BY INVESTING ACTIVITIES:	(30,121)
NET INCREASE IN CASH	238,562
CASH, BEGINNING OF YEAR	373,416
CASH, END OF YEAR	$ 611,978
RECONCILING OF OPERATING LOSSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 87,038
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	125,003
Changes in assets and liabilities:	
Decrease in receivables	164,230
(Increase) in prepaid expenses	(1,972)
Decrease in prepaid lease	1,410
(Decrease) in accounts payable	(37,526)
(Decrease) in payroll accruals	(8,300)
Increase in deferred revenue	190
Net cash provided by operating activities	$ 330,073

See accompanying notes and independent auditor's report.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of Region 6 Planning Commission (the Commission).

1. Reporting Entity

Region 6 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.

2. Basis of Presentation

The Commission's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments. The Commission applies all applicable GASB pronouncements.

On July 1, 2012, the Commission implemented the provisions of GASB Statement No. 62, Codification of Accounting and Financial Reporting guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. GASB No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Boards (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee of Accounting Procedure.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Basis of Presentation – Continued

The financial transactions of the Commission are reported in an individual fund. The Commission uses an enterprise fund which is a proprietary fund type. The fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues and expenses. The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The accounting principles generally accepted in the United States of America applicable to the Commission are similar to those applicable to businesses in the private sector.

3. Basis of Accounting

The Commission's financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

4. Use of Estimates

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the Statement of Net Position and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those transactions.

5. 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 by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. State law limits the investment of vehicles that may be used by the Commission. All of the Commission's funds are held in financial institutions located in Iowa.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

6. 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.

7. Capital Assets

Capital assets, which include buildings, furniture and fixtures and vehicles, are reported in the Statements of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at an 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.

8. 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.

9. 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 grant 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

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

10. Unearned Revenue

The Commission has various revenue sources which provide for the advancement of funds before the related expenditures are incurred. Funds received in this manner are recorded as unearned revenue until such time as they are expended as specified in the funding agreements.

11. Federal Income Tax

The Commission is a governmental subdivision and, accordingly, no provision for income tax is required.

12. Revenue Recognition

The primary sources of revenue for the Commission are county, state, and federal funds. The operating revenue consists of revenue from county, state, federal, and others, for the Commission to carry out its mission and meet its commitments as defined in various contracts and agreements. These revenues are recognized when earned.

13. Net Position

Presents the Commission's assets and liabilities, with the difference reported as net position. Net position is reported in three categories.

Net investment in capital assets 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 position results 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 positions are available.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

NOTE B. CUSTODIAL CREDIT RISK - DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned. The bank balances of the accounts held by the Commission on June 30, 2013, were $681,238. At June 30, 2013, the Commission had a balance of $343,420 of cash deposits in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). The Commission's book balances of these deposits (cash) were $611,878 on June 30, 2013.

NOTE C. 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, 2013, one new loan at an interest rate of five percent was granted for a total of $72,600. Management considers the remaining notes receivable of $162,310 at June 30, 2013 to be collectible and therefore, no allowance has been recorded.

NOTE D. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013 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	1,259,627	51,390	263,799	1,047,218
Total capital assets	1,765,211	51,390	263,799	1,552,802
Less accumulated depreciations:				
Buildings	40,853	12,102	-	52,955
Furniture and fixtures	18,300	509	-	18,809
Vehicles	862,863	112,392	263,799	711,456
	922,016	125,003	263,799	783,220
Capital assets, net	$ 843,195	$ (73,613)	$ -	$ 769,582

The total of depreciation expense of $125,003 was included in general administration expenses.

NOTE E. RESTRICTED NET POSTION

Restricted net position consists of the following restricted amounts:

Restricted for RLF program	$ 37,918
Restricted for LHAP loan program	3,907
Total restricted net position	$ 41,825

NOTE F. OPERATING LEASES

In March 2011, the Commission entered into a sixty month operating lease for the use of a copier. The lease required monthly payments of $210. The lease ends on February 29, 2016. Lease payments of $2,100 were made for each of the year ended June 30, 2013. The remaining lease commitment is $2,520 for each of the years ended June 30, 2014 through June 30, 2015 and $1,680 for the year ended June 30, 2016.

In January 2012, the Commission entered into a new sixty month lease for the use of the postage meter system with monthly lease payments of $51. The lease ends on December 31, 2016. Lease payments of $587 were made for the year ended June 30, 2013. The remaining lease commitment is $607 for each of the years ended June 30, 2014 through June 30, 2016 and $304 for the year ended June 30, 2017.

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 a 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. This amount is being amortized over the term of the lease. 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 round to Region 6 Planning Commission for 30% of the fair market value of the office building.

NOTE G. CAPITAL LOAN NOTE

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

	Date of Issue	Interest Rate	June 30, 2012 Balance	Additions	Reductions	Outstanding June 30, 2013	Due Within One Year
Capital Loan	December 2008	0%	$ 20,000	$ -	$ 10,000	$ 10,000	$ 10,000

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

NOTE H. COMPENSATED ABSENCES

Region 6 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, 2013 was $17,874. The liability has been computed based on rates of pay in effect at June 30, 2013.

NOTE I. 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 5.95% of their annual covered salary and the Commission is required to contribute 8.93% of covered salary. Contribution requirements are established by state statue. The Commission's contribution to IPERS for the years ended June 30, 2013 was $41,985, equal to the required contributions for each year.

NOTE J. RISK MANAGEMENT

The Commission is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 690 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years. Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

NOTE J. RISK MANAGEMENT – CONTINUED

The Pool also provides property coverage. Members who elect such coverage make annual operation contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital end, and if insufficient, by the subsequent year's member contributions.

The Commission's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The Commission's contributions to the Pool for the year ended June 30, 2013 was $29,860.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retained general, automobile, police professional, and public officials' liability risks up to $350,000 per claim. Claims exceeding $350,000 are reinsured in an amount not to exceed $2,650,000 per claim and $10,000,000 in aggregate per year. For members requiring specific coverage from $3,000,000 to $12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to $150,000 each occurrence, each location, with excess coverage reinsured by Lexington Insurance Company.

The Pool's intergovernmental contract with its member provides that in the event a casualty claim or a series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus an reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for one-year period following the withdrawal.

NOTE J. RISK MANAGEMENT – CONTINUED

The Commission also carries commercial insurance purchased from other insurers for coverage associated with workers compensations in the amount of $500,000. The Commission assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE K. ECONOMIC DEPENDENCY

During the normal course of business, the Commission receives funds from the United States Government for program services. Substantially all of these funds are subject to future audit by various federal and state agencies, however, it is management's opinion that resulting adjustments, if any, would not have a material effect upon the accompanying financial statements. Approximately 36% and 29% of total support revenue were from Iowa Finance Authority and from Iowa Department of Transpiration, respectively.

NOTE L. RELATED-PARTY TRANSACTIONS

The Commission provides Region 6 Housing Trust Fund with grant administration and general management services including preparing grant reports, construction administration and consultations with homeowners. Region 6 Housing Trust Fund is a nonprofit organization serving the counties who are members of the Commission. The Chair of the Commission also serves as the Chair of Region 6 Housing Trust Fund's Board of Directors. Services are billed quarterly by Region 6 Planning Commission for their actual administrative costs. During the year ended June 30, 2013, the Commission received a total of $14,264 from Region Six Housing Trust Fund for their administrative costs. The balance of administrative costs due to the Commission at June 30, 2013 was $7,330.

SUPPLEMENTAL INFORMATION

Region 6 Planning Commission
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2013

	Original and Final Budget	Actual	Final to Actual Variance Positive (Negative)
Revenues:			
EDA planning	$ 98,000	$ 128,490	$ 30,490
Grant Administration	113,500	545,591	432,091
Housing Assistance Administration	-	-	-
Planning dues and state grant support	51,400	52,975	1,575
Transportation planning	73,873	73,471	(402)
Housing Preservation Grant	-	-	-
Flood 2008	10,000	-	(10,000)
Flood 2010	-	-	-
EDA Revolving Loan Fund	100,000	8,225	(91,775)
Interest	-	-	-
Contract revenue	-	-	-
Transit operations	825,277	652,540	(172,737)
Total revenues	1,272,050	1,461,292	189,242
Expenses:			
EDA planning	125,225	85,396	(39,829)
Grant Administration	120,242	439,853	319,611
Housing Assistance Administration	-	-	-
Community planning	-	-	-
Transportation planning	101,967	95,216	(6,751)
Housing Preservation Grant	-	-	-
Flood 2008	10,000	69	(9,931)
Flood 2010	-	-	-
EDA Revolving Loan Fund	100,000	69	(99,931)
Transit operations	845,934	725,131	(120,803)
General administration	-	91,777	91,777
Total expenses	1,303,368	1,437,511	134,143
Excess (deficit) of revenues over expenses	(31,318)	23,781	55,099
Capital expenditures	(150,000)	-	150,000
Transit equipment grant and vehicle sale	151,824	170,657	18,833
Net capital expenditures	1,824	170,657	168,833
Excess of (deficit) revenues and other financing sources over expenses and capital expenditures	(29,494)	(146,876)	(117,382)
Net position balances, beginning of year	350,000	-	(350,000)
Net position balances, end of year	$ 320,506	$ (146,876)	$ (467,382)

See accompanying notes and independent auditor's report.

Region 6 Planning Commission
NOTES TO BUDGETORY REPORTING
For the year ended June 30, 2013

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 6 Planning Commission
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

Federal Grantor/ Pass through Grantor/ Program Title	Federal CFDA Number	Grant Identifying Number	Federal Expenditures
Direct:			
U.S. Department of Commerce			
Economic Development Administration:			
Economic Adjustment Revolving Loan Fund	11.307	05-79-03546	$ 150,000
Economic Support for Planning Organizations	11.302	05-83-04915-01	27,000
Economic Support for Planning Organizations	11.302	05-83-04915-02	30,000
Total Economic Support for Planning Organizations			57,000
Total direct awards			207,000
Indirect:			
U.S. Department of Housing and Urban Development			
Iowa Department of Economic Development:			
HOME Investment Partnership Program	14.239	11-HM-302	253,910
U.S. Department of Transportation			
Iowa Department of Transportation:			
Formula Grants for Other Than-	20.509	18-0029-060-12	141,517
Urbanized Areas- Operating			2,355
10-15 Transit Repayment			683
RTAP (Fellowship)			
Federal Transit Capital Investment Grants	20.500	04-0117-060-11	26,102
Iowa Association of Regional Councils:			
Highway Planning and Construction	20.205	12RPA-06	44,055
State Planning and Research	20.515	12RPA-06	22,028
New Freedom Program	20.521	57-X008-060-12	61,582
Total indirect awards			552,232
Total federal awards			$ 759,232

See accompanying notes and independent auditor's report.

Region 6 Planning Commission
NOTES TO SCHEDULE OF EXPINDITURES OF FEDERAL AWARDS
For the year ended June 30, 2013

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

Region 6 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.

2. Basis of Accounting

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

3. Basis of Presentation

The accompanying schedule presents expenditures paid for each federal award program in accordance with Office of Management and Budget (OMB) Circular A-133. Federal programs in titles are reported as presented in the Catalog of Federal Domestic Assistance (CFDA), whenever possible.

4. Contingencies

During the normal course of business, the Commission receives funds from the United States Government for program services. Substantially all of these funds are subject to future audit by various federal and state agencies, however, it is management's opinion that resulting adjustments, if any, would not have a material effect upon the accompanying financial statements.

HAYES & ASSOCIATES, L.L.C.
Certified Public Accountants | Consultants

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

To the Board of Directors
Region 6 Planning Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Region 6 Planning Commission (the Commission), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which comprise Region 6 Planning Commission's basic financial statements, and have issued our report thereon dated March 26, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Region 6 Planning Commission's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances 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 6 Planning Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Region 6 Planning Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider items 2013.1 and 2013.2 described in the accompanying schedule of findings and questioned costs to be a material weakness.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Region 6 Planning Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Region 6 Planning Commission’s Response to Findings

Region 6 Planning Commission’s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Region 6 Planning Commission’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Hayes & Associates, LLC

Hayes & Associates, L.L.C.
Omaha, Nebraska
March 26, 2014

HAYES & ASSOCIATES, L.L.C.
Certified Public Accountants | Consultants

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

To the Board of Directors
Region 6 Planning Commission

Report on Compliance for Each Major Federal Program

We have audited Region 6 Planning Commission's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Region 6 Planning Commission's major federal programs for the year ended June 30, 2013. Region 6 Planning Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Region 6 Planning Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Region 6 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Region 6 Planning Commission's compliance.

Opinion on Major Federal Program

In our opinion, Region 6 Planning Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on their major federal program for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of Region 6 Planning Commission, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Region 6 Planning Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Region 6 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Hayes & Associates, LLC

Hayes & Associates, L.L.C.
Omaha, Nebraska
March 26, 2014

Region 6 Planning Commission
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2013

I. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued:	**Unmodified**
Internal controls over financial reporting:	
• Material weaknesses identified:	**Yes**
• Significant deficiencies identified:	**None Noted**
Noncompliance material to financial statements noted:	**None Noted**

Federal Awards

Internal control over major programs:	
• Material weaknesses identified:	**None Noted**
• Significant deficiencies identified:	**None Noted**
Type of auditor's report issued on compliance for major programs:	**Unmodified**
Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133:	**None Noted**

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.239	HOME Investment Partnership Program
11.307	Economic Adjustment Assistance

Dollar threshold used to distinguish between Type A and Type B programs:	**$300,000**
Audit qualified as low-risk auditee:	**No**

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

Hayes & Associates, L.L.C.
Omaha, Nebraska
March 26, 2014

Region 6 Planning Commission
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2013

I. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued:	**Unmodified**
Internal controls over financial reporting:	
• Material weaknesses identified:	**Yes**
• Significant deficiencies identified:	**None Noted**
Noncompliance material to financial statements noted:	**None Noted**

Federal Awards

Internal control over major programs:	
• Material weaknesses identified:	**None Noted**
• Significant deficiencies identified:	**None Noted**
Type of auditor's report issued on compliance for major programs:	**Unmodified**
Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133:	**None Noted**

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.239	HOME Investment Partnership Program
11.307	Economic Adjustment Assistance

Dollar threshold used to distinguish between Type A and Type B programs:	**$300,000**
Audit qualified as low-risk auditee:	**No**

II. FINDINGS—FINANCIAL STATEMENTS

2013.1 Segregation of Duties

Condition: During our review and evaluation of the Commission's procedures and internal controls over disbursements and receipts, we noted that many duties are performed by an employee who has primary control over collecting receipts, preparing deposits, updating accounts receivable, and posting receipts to the accounting records. Vendor checks are prepared and mailed to the payee after they are signed and approved by the authorized board members by the same employee who is responsible for accounts payable. We also noted that the bank accounts are not reconciled by an individual who does not sign checks and handle or record cash.

Criteria: Strong internal controls require an appropriate segregation of duties between functions. The segments of the cycle of each transaction should be performed by different employees and mitigate the risk of fraud and/or errors.

Cause: Small size of the staff who are responsible for financial reporting and bookkeeping.

Effect: This condition could provide an opportunity for misappropriation of funds and concealment of such activity.

Recommendation: We recommend that all incoming mail be received and opened by an employee who is not authorized to make entries to the accounting records. This employee should log the money and checks received on a list. The initial receipt listing should be compared with cash receipts by an independent person who then makes the deposit into the bank. The deposit receipts should be reviewed by comparing the deposited amount to the receipt log. After this reconciliation the employee responsible of posting the transactions can post the receipt to the accounting records. The authority of opening a vendor account in the accounting system should be assigned to a person who is not responsible for posting transactions to the accounting system. Bank reconciliation should be reviewed by the Executive Director or an authorized board member for accuracy and unusual items.

Management Response: In the last month of the 3rd quarter or the beginning of the 4th quarter the Commission will seek to find a method to have the assistant transit manager or transit manager (neither currently allowed to make entries to the accounting records) open the mail, and log money and checks received on a list. This list would be compared to the accounts receivable or dispatch manifests and another person would make a bank deposit (maybe the transit dispatcher). The director twice annually will be involved with the monthly bank reconciliation process.

II. FINDINGS—FINANCIAL STATEMENTS - CONTINUED

2013.2 Material Audit Adjustments, Financial Reporting, and SEFA

Condition: Material audit adjustments were required to present the financial statements in accordance with generally accepted accounting principles (GAAP). Adjustments were made to post amortization of prepaid lease, remove disposed capital assets from accumulated depreciation and cost, record interest income for notes receivable, reclassify RLF loan repayments from revenue to notes receivables, reclassify federal grants to correct categories, correct posting of accounts payable to the correct period, and record payment on outstanding debt. We also reviewed the federal expenditures reported on the Schedule of Expenditures of Federal Awards (SEFA) and adjusted the amounts reported upon our review. Based on our testing, these adjustments were material to the financial statements and reporting requirements in accordance with generally accepted accounting principles. The Commission relied on the auditor to generate the annual financial statements including footnotes.

Criteria: Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements, including the notes to financial statements, in conformity with GAAP. Management is responsible for the management decisions and functions; for designating an individual with suitable skill, knowledge, or experience to oversee this process; and for evaluating the adequacy and results of this service and accepting responsibility for these financial statements. A fundamental principle of auditing is that the auditor cannot be considered part of an entity's system of internal control over financial reporting. The auditors may still prepare the financial statements, however management must still establish internal controls over the preparation of these financial statements.

Cause: Management did not record appropriate entries to present the unadjusted accounting records in accordance with GAAP.

Effect: The original accounting records were materially misstated in accordance with GAAP.

Recommendation: These adjustments are typically similar from year-to-year. We recommend that management post required adjustments prior to providing information to the auditor at the beginning of each audit engagement. Management should review adjustments proposed during prior audits as a guide to prepare the required accrual, classifications and other necessary adjustments. The Commission should implement adequate internal controls to review the financial statements and footnotes. Management should understand where amounts and information presented in the financial statements and footnotes are derived to facilitate this review. Internal controls should include a reconciliation of the financial statements and footnotes prepared by the auditor to Commission's accounting records.

II. FINDINGS—FINANCIAL STATEMENTS - CONTINUED

2013.2 Material Audit Adjustments, Financial Reporting, and SEFA – Continued

Management Response: The Commission will meet with the outsourced accountant, Bergman Accounting in August-September of 2014 and have her make the noted adjustments prior to the audit.

III. FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS

None noted.

IV. OTHER FINDINGS RELATED TO REQUIRED STATURY REPORTING

IV-A-13 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-l1 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.

II. FINDINGS—FINANCIAL STATEMENTS

II-A-12 *Condition:* 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.

Management 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.

Current Year Status: The Commission continued to have only one or two individuals who have control over these areas for which no compensating controls exist. The Commission did not involve more personnel in some of these areas due to the small size of the Commission and its staff.

II. FINDINGS—FINANCIAL STATEMENTS – CONTINUED

II-B-12 *Condition:* 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.

Recommendation:

(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.

(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.

Management Response: We will consider these recommendations.

Current year status: These recommendations have not been implemented. No changes on this condition from prior year.

III. FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS RELATED TO REQUIRED STATURY REPORTING

None.