Region 6 Planning Commission
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
For the year ended June 30, 2014

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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	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, 2014, 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.

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, 2014, 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 25 -26 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 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 February 23, 2015, 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
February 23, 2015

Region 6 Planning Commission current assets increased significantly from FY 13 to FY 14. Cash increased $100,973 from FY 13 to FY 14 or 17.7%. Restricted cash, largely in the EDA RLF program, also increased $126,119. This is due to the following loans being paid off- Image First, Latimer Associates, and Schoolhouse Garage. The overall current assets increase was $153,340.

Non-current assets decreased by $205,861 from FY 13 to FY 14. Most of the decrease was due to the decrease in RLF notes receivable. There are only two RLF notes outstanding – Ackley Super Foods and Gosselink Hallmark. Total assets were $1,710,668 for the year ended June 30, 2014. This was a $52,521 decrease from the prior year.

Attachment "A" here is to provide 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.

Total Region 6 Planning support and revenue decreased $295,677 to $1,228,872. Most of the decrease was in federal grants. The Region 6 Homebuyers assistance grant did not have much activity in 2014, but did in 2013. This represents $213,828 of the total decrease in support and revenue. State appropriations increased by $2,641 in 2014 and local support increased $10,834.

Operating expenses for 2014 decreased $170,113. All of that reduction was in reduced planning contracts – largely the homeownership assistance project. Transit expenses increased $40,804 and general administration increased $2,406.

Net position decreased by $35,706 for the year ended June 30, 2014. In other words, overall expenses were that much higher than the total support and revenues for the year. Net position increased by $94,881for the year ended June 30, 2013. This change is primarily the result of a decrease in Federal funding in 2014 as was stated above.

Expenses for the basic planning programs totaled $407,251 for the year ended June 30, 2014. These activities on the Schedule of Revenues, Expenses, and changes in Balances – Budget to Actual include – EDA planning, grant administration, transportation planning, and flood 2008 grants. The revenue for these same categories totaled $290,655. The $116,596 loss was largely due to fiscal year issues associated with the region 6 homeownership assistance grants. This same group category had a $127,018 surplus for the year ended June 30, 2013.

Transit operations expenses for the 2014 year were $765,935. This is $40,804 more than 2013. The 2013 year included one new transit vehicle also. So the total operating cost increased almost $100,000 or upwards of 15%. Transit operating hours increased by 410 hours or 2.1%. For 2014, we had a record level of vehicle repair expenses. This is due to delays getting busses replaced. This trend could continue because of reduced federal replacement funds. In 2014, Peoplerides also had more full time drivers than in the past, so our overall health insurance cost increased.

Federal funding is a large source of Region 6 Planning funding. State appropriations provided 17% of operating revenues. About 95% of this support was for the Peoplerides program. Local support (dues and Peoperides general subsidies) provide about 9% of the financial support. General Peoplerides fares revenue comprised about 6% of revenues. General revenues from various sources cover about 33%. The direct federal revenues to Region 6 for the year represent 39% of expenses.

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.

ATTACHMENT A

TOTAL REGION SIX PLANNING

Planning	**Expenses 12/14**	**Revenue 12/14**	**Revenue - Expenses 12/14**
Planning Dues & State COG Support	$ 95	$ 68,571	$ 68,476
Grant Administration, Planning, Hsg Asst Admin	91,974	92,490	516
HOME grant	86,585	42,140	(44,445)
EDA Planning	96,470	52,686	(43,784)
Transportation Planning	45,890	36,710	(9,180)
IARC Mobility Manager	47,293	28,752	(18,541)
Allocated Planning	-	-	-
TOTAL REGULAR PLANNING	368,307	321,349	(46,958)
Flood 08	38,944	38,912	(32)
TOTAL DISASTER SPECIAL PROGRAMS	38,944	38,912	(32)
TOTAL PLANNING	**407,251**	**360,261**	**(46,990)**
SURPLUS	**(46,990)**		
EDA - Revolving Loan Fund	29	1,034	1,005
TOTAL SPECIAL FUND ACCOUNTS	**29**	**1,034**	**1,005**
General Administration - Non Allocated	**94,183**	**(1,035)**	**(95,218)**
Peoplerides			
Operating & Capital	**765,935**	**871,432**	**105,497**
PEOPLERIDES SURPLUS	105,497		
REGION 6 PLANNING FY 13, WITHOUT SPECIAL FUND ACCOUNTS	**1,267,340**	**1,229,624**	**(37,716)**
REGION 6 PLANNING FY 13 ENDING BALANCE, WITH SPECIAL FUND ACCOUNTS	**$ 1,267,398**	**$ 1,231,692**	**$ (35,706)**

Region 6 Planning Commission
STATEMENT OF NET POSITION
June 30, 2014

ASSETS

CURRENT ASSETS		
Cash - unrestricted	$	671,699
Cash - restricted		167,371
Receivables:		
Accounts receivable		105,689
Interest receivable		74
Prepaid expenditures		11,070
Prepaid lease - current portion		1,410
Notes receivable - current portion:		
RLF notes receivable		9,858
Total current assets		967,171
NON-CURRENT ASSETS		
Notes receivable, net of current portion:		
RLF notes receivable		28,693
Prepaid lease		60,395
Capital assets		1,552,802
Less accumulated depreciation		(898,393)
Total non-current assets		743,497
Total assets	$	1,710,668

LIABILITIES AND NET POSITION

Current liabilities:		
Accounts payable	$	10
Accrued payroll and payroll liabilities		19,083
Accrued vacation		19,368
Total current liabilities		38,461
Net position:		
Net investment in capital assets		654,409
Restricted		167,371
Unrestricted		850,427
Total net position		1,672,207
Total liabilities and net position	$	1,710,668

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, 2014

SUPPORT REVENUE:	
Federal grants	$ 395,395
State appropriations	212,578
Local support	63,809
Total support	671,782
PROGRAM REVENUE:	
Planning and transit	557,090
Total support and revenue	1,228,872
OPERATING EXPENSES:	
General planning	95
Planning contracts	407,185
Transit expenses	765,935
General administrative	94,183
Total expenditures	1,267,398
OPERATING INCOME	(38,526)
NON-OPERATING REVENUES	
Interest income	637
RLF interest income	2,183
Total non-operating revenue	2,820
CHANGE IN NET POSITION	(35,706)
NET POSITION, BEGINNING OF YEAR	1,707,913
NET POSITION, END OF YEAR	$ 1,672,207

See accompanying notes and independent auditor's report.

Region 6 Planning Commission
STATEMENT OF CASH FLOWS
For the year ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from federal support	$ 395,395
Cash received from state support	212,388
Cash received from other receivables	633,173
Cash paid for goods and services	(1,123,989)
Cash paid for employees and benefits	(6,635)
NET CASH PROVIDED BY OPERATING ACTIVITIES	110,332
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Payment on note payable	(10,000)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	(10,000)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Payments of notes receivable	123,759
Interest received on bank accounts	3,001
NET CASH (USED) BY INVESTING ACTIVITIES:	126,760
NET INCREASE IN CASH	227,092
CASH, BEGINNING OF YEAR	611,978
CASH, END OF YEAR	$ 839,070
RECONCILING OF OPERATING LOSSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ (38,526)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	115,173
Changes in assets and liabilities:	
Decrease in receivables	12,274
Decrease in prepaid expenses	26,816
Decrease in prepaid lease	1,410
(Decrease) in accounts payable	10
(Decrease) in payroll accruals	(6,635)
(Decrease) in deferred revenue	(190)
Net cash provided by operating activities	$ 110,332
Restricted cash	$ 167,371
Unrestricted cash	671,699
Total cash	$ 839,070

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.

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.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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, 2014, were $912,527. At June 30, 2014, the Commission had a balance of $568,983 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 $839,070 on June 30, 2014.

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, 2014, no new loans were grants. Management considers the remaining notes receivable of $38,551 at June 30, 2014 to be collectible and therefore, no allowance has been recorded.

Region 6 Planning Commission
NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the year ended June 30, 2014

NOTE D. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 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	1,047,218	-	-	1,047,218
Total capital assets	1,552,802	-	-	1,552,802
Less accumulated depreciations:				
Buildings	52,955	12,101	-	65,056
Furniture and fixtures	18,809	486	-	19,295
Vehicles	711,456	102,586	-	814,042
	783,220	115,173	-	898,393
Capital assets, net	$ 769,582	$ (115,173)	$ -	$ 654,409

NOTE E. RESTRICTED NET POSTION

Restricted net position consists of the following restricted amounts:

Restricted for RLF program	$ 163,464
Restricted for LHAP loan program	3,907
Total restricted net position	$ 167,371

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 $2,520 were for the year ended June 30, 2014. The remaining lease commitment is $2,520 for the year ended June 30, 2015, and $1,680 for the year ended June 30, 2016.

NOTE F. OPERATING LEASES - CONTINUED

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 $607 were made for the year ended June 30, 2014. The remaining lease commitment is $607 for each of the years ended June 30, 2015, 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. 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, 2014 was $19,368. The liability has been computed based on rates of pay in effect at June 30, 2014.

NOTE H. PENSION AND RETIREMENT BENEFITS

1. Plan Description

The Commission contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing, multiple-employer, contributory defined benefit public employee retirement system administered by the State of Iowa. Administrative expenses are appropriated each year by the Iowa Legislature and paid from the State of Iowa Pension Trust Fund.

IPERS membership is mandatory for most state, county, and local public employees, employees of school districts, and certain elected officials. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. Refer to the plan documents for more information.

Each year, IPERS' actuarial consultant performs a valuation of the liabilities and reserves of the IPERS Trust Fund in accordance with Iowa Code section 97B.4(4)(d). The actuary also calculates an actuarial contribution rate for each membership group, which is the contribution rate necessary to fully fund the benefits provided under Iowa Code chapter 97B. IPERS' Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of covered payrolls and based on the Actuarial Amortization Method adopted by the Investment Board.

2. Basis of Accounting

The IPERS Plan financial statements are prepared using the accrual basis of accounting in conformity with U.S. generally accepted accounting principles as applied to governmental units and are presented as a pension trust fund in the basic financial statements of the State of Iowa. Employee contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide contributions.

NOTE H. PENSION AND RETIREMENT BENEFITS - CONTINUED

2. Basis of Accounting - Continued

Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The system is funded through a combination of employee and employer contributions and investment income. Investment sales and purchases are recorded as of their trade date.

3. Method Used to Value Investments

IPERS is authorized to execute the investment of moneys to meet the requirements of the Investment Policy and Goal Statement established by the Investment Board, in accordance with the "Prudent Person" mandate of Iowa Code section 97B.7A. All investments are reported at fair value. The determination of fair value is generally based on published market prices and quotations from major investment brokers.

Investments without quoted market prices are valued based on yields and maturities currently available on comparable securities of similar issue. Fair values for real estate investments are based on periodic assessments or appraisals of the underlying investments. Futures contracts are valued daily with the resulting adjustment recorded as realized gains/losses arising from the daily settlement of the variation margin. Private equities are valued based on March 31 net asset values plus or minus purchases, sales, and cash flows from April 1 through June 30 of the reporting year. The Treasurer of State is the statutory custodian of the funds of the System, and in this capacity, has arranged to have the custodial bank account collateralized or covered by the State Sinking Fund.

4. Contributions

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 statute. The Commission's contribution to IPERS for the years ended June 30, 2014 was $37,861, equal to the required contributions for each year. 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.

NOTE I. 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.

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, 2014 was $32,126.

NOTE I. RISK MANAGEMENT - CONTINUED

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, 2014, 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.

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 J. 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 38% total revenue was from the Iowa Department of Transpiration.

NOTE K. 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, 2014, the Commission received a total of $39,284 from Region 6 Housing Trust Fund for their administrative costs. The balance of administrative costs due to the Commission at June 30, 2014 was $15,205.

SUPPLEMENTAL INFORMATION

Region 6 Planning Commission
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2014

	Original and Final Budget	Actual	Final to Actual Variance Positive (Negative)
Revenues:			
EDA planning	$ 92,000	$ 52,686	$ (39,314)
Grant Administration	34,000	162,347	128,347
Housing Assistance Administration	10,000	-	(10,000)
Planning dues and state grant support	51,400	68,571	17,171
Transportation planning	85,950	36,710	(49,240)
Housing Preservation Grant	-	-	-
Flood 2008	-	38,912	38,912
Flood 2010	-	-	-
EDA Revolving Loan Fund	100,000	1,034	(98,966)
Interest	-	-	-
Contract revenue	-	-	-
Transit operations	855,844	871,432	15,588
Total revenues	1,229,194	1,231,692	2,498
Expenses:			
EDA planning	113,456	96,470	(16,986)
Grant Administration	34,804	225,947	191,143
Housing Assistance Administration	11,500	-	(11,500)
Community planning	-	-	-
Transportation planning	112,731	45,890	(66,841)
Housing Preservation Grant	-	-	-
Flood 2008	-	38,944	38,944
Flood 2010	-	-	-
EDA Revolving Loan Fund	100,000	29	(99,971)
Transit operations	847,696	765,935	(81,761)
General administration	-	94,183	94,183
Total expenses	1,220,187	1,267,398	47,211
Excess (deficit) of revenues over expenses	9,007	(35,706)	(44,713)
Capital expenditures	(180,000)	-	180,000
Transit equipment grant and vehicle sale	-	-	-
Net capital expenditures	(180,000)	-	180,000
Excess of (deficit) revenues and other financing sources over expenses and capital expenditures	(170,993)	(35,706)	135,287
Net position balances, beginning of year	320,506	(146,876)	(467,382)
Net position balances, end of year	$ 149,513	$ (182,582)	$ (332,095)

See accompanying notes and independent auditor's report.

Region 6 Planning Commission
NOTES TO BUDGETARY REPORTING
For the year ended June 30, 2014

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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, 2014, 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 February 23, 2015.

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 2014-1 and 2014-2 as described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Westroads Pointe | 1015 N. 98th St. | Suite 200 | Omaha, NE 68114 | T 402.390.2480 | F 402.390.0885 www.hayes-cpa.com

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
February 23, 2015

Region 6 Planning Commission
SCHEDULE OF FINDINGS AND RESPONSES
Year ended June 30, 2014

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**

II. FINDINGS—FINANCIAL STATEMENTS

2014-1 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: Region 6 Planning does not have sufficient staff to meet the recommendations. The board of directors will review the need and may authorize staffing additions in the future so that we may be able to better segregate duties.

II. FINDINGS—FINANCIAL STATEMENTS - CONTINUED

2014-2 Material Audit Adjustments, Financial Reporting

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. 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

2014-2 Material Audit Adjustments, Financial Reporting– Continued

Management Response: Region 6 Planning engaged with a separate accounting firm to do accruals of many items at year end. Some of the items noted may have been missed during this accrual process. Staff will do our best to perform all accruals prior to the audit.

III. 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

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.

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.

Follow up: See finding 2014-1.

II. FINDINGS—FINANCIAL STATEMENTS - CONTINUED

2013-1 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.

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.

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.

Follow up: See Finding 2014-2.

Region 6 Planning Commission
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2014

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.