Region 6 Planning Commission
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
For the year ended June 30, 2015

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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
Michelle Spohnheimer	Member	Marshalltown
Lamoyne Gaard	Member	Poweshiek County
Jody Anderson	Member	Iowa Falls
Cindy Schulte	Member	Iowa Valley Community College District
Mark Schoborg	Member	Private Sector
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 the business type activity of Region 6 Planning Commission (the Commission) as of and for the year ended June 30, 2015, 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 controls 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 controls. 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 activity of the Region 6 Planning Commission, as of June 30, 2015, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of the net pension liability, and schedule of contributions on pages 6 - 8 and 29 - 32 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, and schedule of revenues, expenses, and changes in balances – budget to actual are 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 and schedule of revenues, expenses, and changes in balances – budget to actual are the responsibility of management and was 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 and schedule of revenues, expenses, and changes in balances – budget to actual are 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 November 20, 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
November 20, 2015

Region 6 Planning Commission current assets increased significantly from FY 2014 to FY 2015. Unrestricted cash increased $146,953 from FY 2014 to FY 2015, or 21.8 percent. Restricted cash, largely in the EDA RLF program, also increased $9,799. Accounts receivable increased $99,314, or 94 percent. This is due to HOME homebuyer assistance reimbursement requests outstanding at year end. The overall current assets increase was $252,301.

Non-current assets increased by $157,505 from FY 2014 to FY 2015. Total assets were $2,120,474 for the year ended June 30, 2015. This is an increase of $409,806

Total liabilities increased from $38,461 in FY 2014 to $381,638 in FY 2015. $295,621 of this increase is due to the implementation of GASB 68 in regard to the IPERS pension liability. Net position decreased $22,266. Again, this decrease can mainly be attributed to the implementation of GASB 68.

Federal grant support increased 99.3 percent from FY 2014, to $787,949. Increases were mainly in transit capital for Peoplerides vehicles, HOME grant for homebuyer assistance, and CDBG Flood 2008 rental housing conversion payments. State appropriations and local support decreased by 1.6 percent and 14.7 percent, respectively. State appropriations decreased to $209,140 and this is mainly due to a decrease in Peoplerides state transit assistance. Local support decreased to $54,453, and the decrease is attributed to less project revenue. Planning and transit program revenues increased by 53.3 percent to $1,905,878. This is due to an increase in Peoplerides contract revenues.

Operating expenses increased by 19.3 percent from FY 2014 to $1,511,523. Planning contract expenses increased by 60.7 percent due to increases in 2008 flood CDBG rental housing projects and HOME homebuyer assistance project. The increase in planning contract revenue accounts for most of the increase in operating expense. Transit expenses increased by 4.5 percent, and general administrative expenses decreased by 39.0 percent.

Attachment "A" 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.

Peoplerides transit surplus for the FY 2015 was $432,855. The surplus was $105,497 in FY 2014. The Region 6 Planning Commission Board directed staff to increase the contract revenue are to help replace transit equipment. Transit revenues increased 41.5 percent and expenses increased 4.5 percent.

The community planning area (EDA planning, grant administration, planning dues and state grant support, transportation planning, Flood 2008, and EDA revolving loan fund) surplus for FY 2015 was $21,643. Revenues and expenses for this area increased by 87.1 percent and 60.7 percent, respectively. The majority of these increases are attributed to Flood 2008 projects and HOME homebuyer assistance administration.

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

- Medicaid transfer to four managed care organizations and the impact upon administration cost
- Replacing transit equipment
- Continuation of planning projects

ATTACHMENT A

TOTAL REGION SIX PLANNING

Planning	**Expenses 12/15**	**Revenue 12/15**	**Revenue - Expenses 12/15**
Planning Dues & State COG Support	$ 226	$ 54,543	$ 54,317
Grant Administration, Planning, Hsg Asst Admin	215,203	177,983	(37,220)
HOME grant	46,609	66,573	19,964
EDA Planning	73,289	60,100	(13,189)
Transportation Planning	51,384	47,893	(3,491)
IARC Mobility Manager	-	-	-
Allocated Planning	12	-	(12)
TOTAL REGULAR PLANNING	386,723	407,092	20,369
Flood 08	266,632	266,204	(428)
TOTAL DISASTER SPECIAL PROGRAMS	266,632	266,204	(428)
TOTAL PLANNING	**653,355**	**673,296**	**19,941**
SURPLUS	**19,941**		
EDA - Revolving Loan Fund	1,151	2,853	1,702
TOTAL SPECIAL FUND ACCOUNTS	**1,151**	**2,853**	**1,702**
General Administration - Non Allocated	**57,489**	**(174)**	**(57,663)**
Peoplerides			
Operating & Capital	**800,608**	**1,233,463**	**432,855**
PEOPLERIDES SURPLUS	432,855		
REGION 6 PLANNING FY 2015, WITHOUT SPECIAL FUND ACCOUNTS	**1,510,301**	**1,903,732**	**393,431**
BALANCE, WITH SPECIAL FUND ACCOUNTS	**$ 1,512,603**	**$ 1,909,438**	**$ 396,835**

Region 6 Planning Commission
STATEMENT OF NET POSITION
June 30, 2015

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS:		
Cash - unrestricted	$	818,652
Cash - restricted		177,170
Receivables:		
Accounts receivable		205,003
Interest receivable		27
Prepaid expenditures		41,833
Prepaid lease - current portion		1,410
Notes receivable - current portion:		
RLF notes receivable		9,858
Total current assets		1,253,953
NON-CURRENT ASSETS:		
Notes receivable, net of current portion:		
RLF notes receivable		20,358
Prepaid lease		58,985
Capital assets		1,770,626
Less accumulated depreciation		(983,448)
Total non-current assets		866,521
Total assets	$	2,120,474
DEFERRED OUTFLOWS OF RESOURCES	$	23,846

LIABILITIES , DEFERRED INFLOWS OF RESOURCES AND NET POSITION

CURRENT LIABILITIES:		
Accounts payable	$	35,330
Accrued payroll and payroll liabilities		29,093
Accrued vacation		21,594
Total current liabilities		86,017
NON-CURRENT LIABILITIES:		
Net pension liablity		295,621
Total liabilities	$	381,638
DEFERRED INFLOWS OF RESOURCES	$	112,741
NET POSITION:		
Net investment in capital assets	$	787,178
Restricted		177,170
Unrestricted		685,593
Total net position	$	1,649,941

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, 2015

SUPPORT REVENUE:	
Federal grants	$ 787,949
State appropriations	209,140
Local support	54,453
Total support	1,051,542
PROGRAM REVENUE:	
Planning and transit	854,336
Total support and revenue	1,905,878
OPERATING EXPENSES:	
General planning	226
Planning contracts	653,200
Transit expenses	800,608
General administrative	57,489
Total expenditures	1,511,523
OPERATING INCOME	394,355
NON-OPERATING REVENUES (EXPENSES)	
Interest income	2,480
RLF interest income	1,080
RLF loan repayments	(1,080)
Total non-operating revenue (expense)	2,480
CHANGE IN NET POSITION	396,835
BEGINNING NET POSITION, UNADJUSTED	1,672,207
IMPLEMENTATION OF GASB 68	(419,101)
BEGINNING NET POSITION, ADJUSTED	1,253,106
NET POSITION, END OF YEAR	$ 1,649,941

See accompanying notes and independent auditor's report.

Region 6 Planning Commission
STATEMENT OF CASH FLOWS
For the year ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from federal support	$ 787,949
Cash received from state support	209,140
Cash received from other receivables	809,475
Cash paid for goods and services	(1,375,797)
Cash paid for employees and benefits	(22,349)
NET CASH PROVIDED BY OPERATING ACTIVITIES	408,418
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	(262,528)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES:	(262,528)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Payments of notes receivable	8,335
Interest received on bank accounts	2,527
NET CASH PROVIDED BY INVESTING ACTIVITIES:	10,862
NET INCREASE IN CASH	156,752
CASH, BEGINNING OF YEAR	839,070
CASH, END OF YEAR	$ 995,822
RECONCILING OF OPERATING LOSSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 394,355
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	129,759
Changes in assets and liabilities:	
Increase in receivables	(99,314)
Increase in prepaid expenses	(30,763)
Decrease in prepaid lease	1,410
Increase in deferred outflows of resources	(23,846)
Increase in accounts payable	35,320
Increase in payroll accruals	12,236
Increase in deferred inflows of resources	112,741
Decrease in net pension liability	(123,480)
Net cash provided by operating activities	$ 408,418
Unrestricted cash	$ 818,652
Restricted cash	177,170
Total cash	$ 995,822

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 a single 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 position, 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

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.

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, 2015, were $1,043,748. At June 30, 2015, the Commission had a balance of $692,664 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 $995,822 on June 30, 2015.

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, 2015, no new loans were issued. Management considers the remaining notes receivable of $30,216 at June 30, 2015 to be collectible and therefore, no allowance has been recorded.

NOTE D. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 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	9,020	5,413	25,160
Vehicles	1,047,218	253,506	39,290	1,261,434
Total capital assets	1,552,802	262,526	44,703	1,770,625
Less accumulated depreciations:				
Buildings	65,056	12,101	-	77,157
Furniture and fixtures	19,295	486	5,413	14,368
Vehicles	814,042	117,173	39,290	891,925
Total accumulated depreciation	898,393	129,760	44,703	983,450
Capital assets, net	$ 654,409	$ 132,766	$ -	$ 787,175

NOTE E. RESTRICTED NET POSTION

Restricted net position consists of the following restricted amounts:

Restricted for RLF program	$ 53,796
Restricted for LHAP loan program	3,907
Restricted for RLF sequester	119,467
Total restricted net position	$ 177,170

NOTE F. OPERATING LEASES

In March 2015, the Commission entered into a sixty month operating lease for the use of a copier. The lease required monthly payments of $469. The lease ends on January 31, 2020. Lease payments of $2,420 were for the year ended June 30, 2015. The remaining lease commitment is $5,628 for the years ended June 30, 2016 through June 30, 2019, and $3,283 for the year ended June 30, 2020.

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, 2015. The remaining lease commitment is $607 for each of the year ended 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 property 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. The Commission’s approximate liability for earned vacation termination payable to employees at June 30, 2015 was $21,594. The liability has been computed based on rates of pay in effect at June 30, 2015.

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 defined benefit pension plan administered by the State of Iowa. IPERS membership is mandatory form 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 member 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.

2. Pension Benefits

A regular member may retire at normal retirement age and receive montly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. Members cannot begin receiving retirement benefits before age 55. If a regular member receives benefits before normal retirement age, a permanent early-retirement reduction will apply.

3. 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. Employee contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made formal commitment ot provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The system is funded through the combination of employee and employer contributions and investment income. Investment sales and purchases are recorded of their trade date.

NOTE H. PENSION AND RETIREMENT BENEFITS – CONTINUED

4. Method Used to Value Investments

IPERS is authorized to execute the investment of monies 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. Private equities are valued based on the March 31 net asset values plus or minus purchases, sales and cash flows from April 1 to June 30 of the reporting year.

5. Contributions

Contribution requirements are established by State statute. Regular plan members are required to contribute 5.95 percent of their annual covered salary and the Commission is required to contribute 8.93 percent of covered salary. The commission's contribution to IPERS for the year ended June 30, 2015 was $47,349.

6. Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Commission reported a liability of $295,621 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation of that date. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2014, the Commission's proportion was 0.007305 percent, which was a decrease of 0.000866 from its proportion measured at June 30, 2013.

NOTE H. PENSION AND RETIREMENT BENEFITS – CONTINUED

6. Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions - Continued

For the year ended June 30, 2015, The Commission recognized pension expense of $22,126. At June 30, 2015, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	$ 3,213	$ (112,741)
Changes of assumptions	13,046	-
Net difference between projected and actual earnings on plan investments	-	-
Changes in proportion and differences between Commission contributions and proportionate share of contributions	(39,762)	-
Commission contributions subsequent to measurement date	47,349	-
Total	$ 23,846	$ (112,741)

The $47,349 of deferred outflows of resources resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2016	$ (33,676)
2017	(33,676)
2018	(33,676)
2019	(33,677)
2020	(1,539)
Thereafter	-

NOTE H. PENSION AND RETIREMENT BENEFITS – CONTINUED

7. Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary Increases	4.00 to 17.00 percent, including inflation
Wage growth rate	4.00 percent
Long term investment return	7.50 percent compounded annually, net of investment expense, including inflation
Single equivalent interest rate	7.50 percent

Mortality rates were based on the RP-2000 Generational Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Projection Scale AA. Different adjustment apply to pre-retirement versus post-retirement versus post-disability mortality tables

The actuarial assumptions used in the June 30, 2014 valuation are based on the results of the most recent actuarial experience study, which covered the four year period ending June 30, 2013. That experience study report is dated May 27, 2014.

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core-plus fixed income	28%	2.06%
Domestic equity	23%	6.31%
International equity	15%	6.76%
Private equity/debt	13%	11.34%
Credit opportunities	5%	3.67%
Real estate	8%	3.52%
U.S. TIPS	5%	1.92%
Other real assets	2%	6.27%
Cash	1%	-0.69%
Total	100%	

NOTE H. PENSION AND RETIREMENT BENEFITS – CONTINUED

8. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that plan contributions from employees and employers will be made according to the current Contribution Rate Funding Policy. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

9. Allocation Basis of Certain Measures Amongst Employers

The retirement plan is a cost-sharing multiple employer plan as defined under GASB68. Each employer's proportionate share of certain measures such as the net pension liability, pension expense and deferred inflows and outflows of resources is based on the proportionate share of the individual employer's projected long-term contributions to the retirement plan. Since the same contribution rate of covered payroll will apply to the participating employers in the retirement plan for future contributions, each employer's proportionate share was based on the January 1, 2014 covered payroll as compared to the total of all employers' covered payroll.

10. Sensitivity of Commission's Proportionate Share of the Net Pension Liability in the Discount Rate

The following presents the Commission's proportionate share of the net pension liability, calculated using the discount rate of 7.50%, as well as the Commission's proportionate share of the net pension liability calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liablity	558,567	295,621	73,667

NOTE H. PENSION AND RETIREMENT BENEFITS – CONTINUED

11. Payables to the Pension Plan

At June 30, 2015, the Commission reported payables to the Plan of $4,035 for legally required contributions

12. Accounting Change/Restatement

Governmental Accounting Standards Board Statement (GASB) No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27 was implemented during the year ended June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state and local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resource's and deferred inflows of resources will not be reported except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement NO. 71,l Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for business type activity is restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

Net position June 30, 2014, as previously reported	$	1,672,207
Net pension liability at June 30, 2014		(462,658)
Change in outflows of resources related to contributions made after the June 30, 2013 measurement date		43,557
Net position July 1, 2014, as restated	$	1,253,106

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, 2015 was $29,526.

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 any 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, 2015, 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 34% 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, 2015, the Commission received a total of $47,553 from Region Six Housing Trust Fund for their administrative costs. The balance of administrative costs due to the Commission at June 30, 2015 was $12,545.

REQUIRED SUPPLEMENTAL INFORMATION

Region 6 Planning Commission
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the year ended June 30, 2015

	2015
Commission's proportion of the net pension liability	0.0073%
Comission's proportionate share of the net pension liability	$ 295,621
Comission's covered-employee payroll	$ 491,567
Comission's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.14%
Plan fiduciary net position as a percentage of the total net pension liability	87.61%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Commission will present information for those years which information is available.

See accompanying notes and independent auditor's report.

Region 6 Planning Commission
SCHEDULE OF CONTRIBUTIONS
For the year ended June 30, 2015

	2015	2014	2013	2012
Statutorily required contribution	$ 43,897	$ 40,664	$ 44,137	$ 42,299
Contributions in relation to the statutorily required contribution	(47,349)	(37,861)	(41,985)	(46,490)
Contribution deficiency (excess)	$ (3,452)	$ 2,803	$ 2,152	$ (4,191)
Commission's covered-employee payroll	$ 491,567	$ 455,361	$ 494,250	$ 524,156
Contributions as a percentage of covered-employee payroll	9.63%	8.31%	8.49%	8.87%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Commission will present information for those years which information is available.

See accompanying notes and independent auditor's report.

NOTE A. CHANGES OF BENEFIT TERMS

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

NOTE B. CHANGES OF ASSUMPTIONS

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year
- Adjusted male mortality rates for retirees in the Regular membership group
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, change in the UAL from plan experience will be amortized on a spate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions
- Modified retirement rates to reflect fewer retirements
- Lowered disability rates at most ages
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit
- Modified salary increase assumptions based on various service duration

NOTE B. CHANGES OF ASSUMPTIONS – CONTINUED

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumption to service based assumptions
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent
- Lowered the inflation assumption from 3.50 percent to 3.25 percent

SUPPLEMENTAL INFORMATION

Region 6 Planning Commission
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2015

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	$ 101,740
Economic Support for Planning Organizations	11.302	05-83-05319.02	15,000
Economic Support for Planning Organizations	11.302	05-83-05319.01	45,000
Total Economic Support for Planning Organizations			60,000
Total direct awards			161,740
Indirect:			
U.S. Department of Housing and Urban Development			
Iowa Department of Economic Development:			
HOME Investment Partnership Program	14.239	14-HM-174	74,282
U.S. Department of Transportation			
Iowa Department of Transportation:			
Formula Grants for Other Than- Urbanized Areas- Operating	20.509	18-0031-060-14	167,769
10-15 Transit Repayment	20.509	85-0034-060-13	55,135
RTAP (Fellowship)	20.509		
Capital Investment Assistance Program	20.500	04-0117-060-14	69,720
Iowa Association of Regional Councils:			
Highway Planning and Construction	20.205	14RPA-06	33,622
State Planning and Research	20.515	14RPA-06	17,174
Bus and Bus Facilities Project	20.526	34-0003-060-13	61,862
Iowa Economic Development Association	14.228	08-DRH-002	265,754
Total indirect awards			745,318
Total federal awards			$ 907,058

See accompanying notes and independent auditor's report.

Region 6 Planning Commission
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2015

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 the 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.

Region 6 Planning Commission
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN BALANCES - BUDGET AND ACTUAL
For the year ended June 30, 2015

	Original and Final Budget	Actual	Final to Actual Variance Positive (Negative)
Revenues:			
EDA planning	$ 94,000	$ 60,100	$ (33,900)
Grant Administration	33,500	244,556	211,056
Planning dues and state grant support	51,400	54,543	3,143
Transportation planning	70,522	47,893	(22,629)
Flood 2008	300,000	266,204	(33,796)
EDA Revolving Loan Fund	100,000	2,853	(97,147)
Hsg - LHAP Contribution	1,000	-	(1,000)
Non-Allocated General Admin	-	(174)	(174)
Transit operations	878,330	1,233,463	355,133
Total revenues	1,528,752	1,909,438	380,686
Expenses:			
EDA planning	111,140	73,289	(37,851)
Grant Administration	35,376	261,824	226,448
Community planning	-	226	226
Transportation planning	88,153	51,384	(36,769)
Flood 2008	300,000	266,632	(33,368)
Hsg - LHAP Contribution	1,000	-	(1,000)
EDA Revolving Loan Fund	100,000	1,151	(98,849)
Transit operations	840,523	800,608	(39,915)
General administration	-	57,489	57,489
Total expenses	1,476,192	1,512,603	36,411
Excess (deficit) of revenues over expenses	52,560	396,835	344,275
Capital expenditures	(68,652)	-	68,652
Transit equipment grant and vehicle sale	-	-	-
Net capital expenditures	(68,652)	-	68,652
Excess of (deficit) revenues and other financing sources over expenses and capital expenditures	121,212	396,835	275,623
Net position balances, beginning of year, adjusted	1,253,106	1,253,106	-
Net position balances, end of year	$ 1,374,318	$ 1,649,941	$ 275,623

See accompanying notes and independent auditor's report.

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.
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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, 2015, 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 November 20, 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Region 6 Planning Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 deficiencies in internal control that we consider to be material weaknesses.

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.

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A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider items 2015-01 and 2015-02 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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 L.L.C.

Hayes & Associates, L.L.C.
Omaha, Nebraska
November 20, 2015

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 the Region 6 Planning Commission's (the Commission) 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 the Commission's major federal programs for the year ended June 30, 2015. The 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 the 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 the 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 the Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, the Commission complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the 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 the 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 the 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
November 20, 2015

Region 6 Planning Commission
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2015

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 of 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
14.228	Community Development Block Grants
20.509	Formula Grants for Other Than-Urbanized Areas

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

2015-01 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 Commission does not have sufficient staff to meet the recommendations. The board of directors will review the need an may authorize staffing additions in the future so that we may be able to better segregate duties.

II. FINDINGS—FINANCIAL STATEMENTS - CONTINUED

2015-02 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 remove revenue and expense for a returned overpayment made by the State of Iowa, and to implement GASB 68. 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

2015-02 Material Audit Adjustments, Financial Reporting, and SEFA – Continued

Management Response: Region 6 Planning Commission 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. 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.

Region 6 Planning Commission
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2015

II. FINDINGS—FINANCIAL STATEMENTS

2014-01 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.

Follow up: See finding 2015-01.

II. FINDINGS—FINANCIAL STATEMENTS - CONTINUED

2014-02 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.

Region 6 Planning Commission
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2015

II. FINDINGS—FINANCIAL STATEMENTS - CONTINUED

2014-02 Material Audit Adjustments, Financial Reporting, and SEFA – Continued

Management Response: Region 6 Planning Commission 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.

Follow up: See Finding 2015-02.

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.