

**Region 6 Planning Commission  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
For the year ended June 30, 2016**

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Region 6 Planning Commission

List of Officials

| <u>Name</u>          | <u>Title</u>        | <u>Representing</u>                    |
|----------------------|---------------------|--|
| Jody Anderson        | Chair               | City of Iowa Falls                     |
| Mark Schoborg        | Vice-Chair          | Private Sector                         |
| Dave Thompson        | Secretary/Treasurer | Marshall County                        |
| Roger Luehring       | Member              | City of Gladbrook                      |
| Michelle Spohnheimer | Member              | Marshalltown                           |
| Kendall Jordan       | Member              | Tama County                            |
| Gordon Canfield      | Member              | City of Grinnell                       |
| Lamoyne Gaard        | Member              | Poweshiek County                       |
| Cindy Litwiller      | Member              | Iowa Falls                             |
| Cindy Schulte        | Member              | Iowa Valley Community College District |
| Trudi Scott          | Member              | City of Gladbrook                      |
| Lance Granzow        | Member              | Hardin County                          |



## 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, 2016, 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 Commission, as of June 30, 2016, and the respective changes in financial position and 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 28 - 30 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 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 11, 2016, on our consideration of the 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  
Omaha, Nebraska  
November 11, 2016

Region 6 Planning Commission  
MANAGEMENT DISCUSSION & ANALYSIS  
For the year ended June 30, 2016

Region 6 Planning Commission current assets increased significantly from FY 2015 to FY 2016. Unrestricted cash increased \$439,552 or 53.7 percent. Restricted cash, largely in the EDA RLF program, also increased \$7,654. Accounts receivable decreased \$141,078, or 68.8 percent. This is due to HOME homebuyer assistance reimbursement requests that were outstanding as of June 30, 2015, being collected upon in the current year. The overall current assets increase was \$302,784.

Non-current assets decreased by \$109,573 from FY 2015 to FY 2016. Total assets were \$2,313,685 for the year ended June 30, 2016. This is an increase of \$193,211.

Total liabilities increased from \$381,638 in FY 2015 to \$595,649 in FY 2016. \$86,748 of this increase is related to the Commission's proportionate share of the IPERS net pension liability increase. Net position increased \$35,955.

Federal grant support increased 1.7 percent from FY 2015, to \$922,407. Support sources that increased EDA Planning support, 2008 CDBG Flood Assistance to rental conversion projects, the HOME regional 1<sup>st</sup> time homebuyer grant for housing improvements, and Federal Transit operating support. The decreases were minimal in Federal Transit capital replacement funding and federal transportation planning.

State appropriations increased 2.8% from 2015, to \$215,029. Nearly all of the increase was in Peoplerides transit operating support. Local support decreased 12% to \$42,688. The lesser local support is due to less project revenue.

Overall operating expenses increased 19% from 2015, to \$1,797,845 or by \$286,322. General planning contracts increased \$213,204 or by 33%. Transit expenses decreased \$76,336 or \$76,336. General administrative expenses increased \$149,564 or 260%. This increase is due to some accrual items that were not done correctly in FY 16.

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 2016 was \$169,684. The surplus was \$432,855 in FY 2015. The Region 6 Planning Commission Board directed staff to increase the contract revenue 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) surplus for FY 2016 was 9,842. Revenues and expenses for this area increased by 38% and 33%, respectively. The majority of these increases are attributed to Flood 2008 projects and HOME homebuyer assistance administration.

Region 6 Planning Commission  
MANAGEMENT DISCUSSION & ANALYSIS - CONTINUED  
For the year ended June 30, 2016

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.
- Vehicle storage for transit equipment.
- Continuing planning projects.

Region 6 Planning Commission  
 MNAGEMENT DISCUSSION & ANALYSIS - CONTINUED  
 For the year ended June 30, 2016

**ATTACHMENT A**  
**TOTAL REGION SIX PLANNING**

| <b>Planning</b>   | <b>Expenses</b>     | <b>Revenue</b>      | <b>Revenue - Expenses</b> |
|---|---------------------|---------------------|---------------------------|
| Planning Dues & State COG Support   | \$ 116              | \$ 54,461           | \$ 54,345                 |
| Grant Administration, Planning, Hsg Asst Admin                                  | 139,580             | 165,033             | 25,453                    |
| HOME grant  | 287,545             | 253,921             | (33,624)                  |
| EDA Planning  | 88,934              | 47,374              | (41,560)                  |
| Transportation Planning   | 32,406              | 40,131              | 7,725                     |
| Allocated Planning  | 893                 | -                   | (893)                     |
| <b>TOTAL REGULAR PLANNING</b>   | <b>549,474</b>      | <b>560,920</b>      | <b>11,446</b>             |
| <br>  |                     |                     |                           |
| Flood 08  | 317,021             | 315,417             | (1,604)                   |
| <b>TOTAL DISASTER SPECIAL PROGRAMS</b>  | <b>317,021</b>      | <b>315,417</b>      | <b>(1,604)</b>            |
| <br>  |                     |                     |                           |
| <b>TOTAL PLANNING</b>   | <b>866,495</b>      | <b>876,337</b>      | <b>9,842</b>              |
| <b>SURPLUS</b>  | <b>9,842</b>        |                     |                           |
| <br>  |                     |                     |                           |
| EDA - Revolving Loan Fund   | 25                  | 7,513               | 7,488                     |
| <b>TOTAL SPECIAL FUND ACCOUNTS</b>  | <b>25</b>           | <b>7,513</b>        | <b>7,488</b>              |
| <br>  |                     |                     |                           |
| <b>General Administration - Non Allocated</b>                                   | <b>207,053</b>      | <b>-</b>            | <b>(207,053)</b>          |
| <br>  |                     |                     |                           |
| <b><u>Peoplerides</u></b>   |                     |                     |                           |
| <b>Operating &amp; Capital</b>  | <b>780,266</b>      | <b>949,950</b>      | <b>169,684</b>            |
| PEOPLERIDES SURPLUS   | 169,684             |                     |                           |
| <br>  |                     |                     |                           |
| <b>REGION 6 PLANNING FY 2016, WITHOUT<br/>SPECIAL FUND ACCOUNTS</b>             | <b>1,853,789</b>    | <b>1,818,774</b>    | <b>(35,015)</b>           |
| <br>  |                     |                     |                           |
| <b>REGION 6 PLANNING FY 2016 ENDING<br/>BALANCE, WITH SPECIAL FUND ACCOUNTS</b> | <b>\$ 1,853,839</b> | <b>\$ 1,833,800</b> | <b>\$ (20,039)</b>        |

Region 6 Planning Commission  
STATEMENT OF NET POSITION  
June 30, 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

|  |                    |
|--|--------------------|
| CURRENT ASSETS:  |                    |
| Cash - unrestricted  | \$ 1,258,204       |
| Cash - restricted  | 184,824            |
| Receivables:   |                    |
| Accounts receivable  | 63,925             |
| Interest receivable  | 24                 |
| Prepaid expenditures   | 40,620             |
| Prepaid lease - current portion                              | 1,410              |
| Notes receivable - current portion:                          |                    |
| RLF notes receivable   | 7,730              |
| Total current assets   | <u>1,556,737</u>   |
| NON-CURRENT ASSETS:  |                    |
| Notes receivable, net of current portion:                    |                    |
| RLF notes receivable   | 15,602             |
| Prepaid lease  | 57,575             |
| Capital assets   | 1,826,620          |
| Less accumulated depreciation                                | <u>(1,142,849)</u> |
| Total non-current assets                                     | <u>756,948</u>     |
| Total assets   | 2,313,685          |
| DEFERRED OUTFLOWS OF RESOURCES                               |                    |
|  | <u>56,893</u>      |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES              | \$ 2,370,578       |
| LIABILITIES , DEFERRED INFLOWS OF RESOURCES AND NET POSITION |                    |
| CURRENT LIABILITIES:   |                    |
| Accounts payable   | \$ 159,514         |
| Accrued payroll and payroll liabilities                      | 30,244             |
| Accrued vacation   | 23,522             |
| Total current liabilities                                    | <u>213,280</u>     |
| NON-CURRENT LIABILITIES:                                     |                    |
| Net pension liability  | 382,369            |
| Total liabilities  | <u>595,649</u>     |
| DEFERRED INFLOWS OF RESOURCES                                |                    |
|  | 89,033             |
| NET POSITION:  |                    |
| Net investment in capital assets                             | 683,771            |
| Restricted   | 184,824            |
| Unrestricted   | 817,301            |
| Total net position   | <u>1,685,896</u>   |
| TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION        | \$ 2,370,578       |

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, 2016

|                                       |              |
|---------------------------------------|--------------|
| SUPPORT REVENUE:                      |              |
| Federal grants                        | \$ 775,885   |
| State appropriations                  | 215,029      |
| Local support                         | 42,688       |
| Total support                         | 1,033,602    |
| PROGRAM REVENUE:                      |              |
| Planning and transit                  | 797,309      |
| Total support and revenue             | 1,830,911    |
| OPERATING EXPENSES:                   |              |
| General planning                      | 116          |
| Planning contracts                    | 866,404      |
| Transit expenses                      | 724,272      |
| General administrative                | 207,053      |
| Total expenditures                    | 1,797,845    |
| OPERATING INCOME                      | 33,066       |
| NON-OPERATING REVENUES (EXPENSES)     |              |
| Interest income                       | 2,263        |
| RLF interest income                   | 626          |
| Total non-operating revenue (expense) | 2,889        |
| CHANGE IN NET POSITION                | 35,955       |
| NET POSITION, BEGINNING OF YEAR       | 1,649,941    |
| NET POSITION, END OF YEAR             | \$ 1,685,896 |

See accompanying notes and independent auditor's report.

Region 6 Planning Commission  
STATEMENT OF CASH FLOWS  
For the year ended June 30, 2016

|  |                            |
|--|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES   |                            |
| Cash received from federal support   | \$ 775,885                 |
| Cash received from state support   | 215,029                    |
| Cash received from other receivables   | 981,075                    |
| Cash paid for goods and services   | (1,511,638)                |
| Cash paid for employees and benefits   | <u>33,072</u>              |
| NET CASH PROVIDED BY OPERATING ACTIVITIES  | 493,423                    |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:                              |                            |
| Purchase of capital assets   | <u>(55,994)</u>            |
| NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES:                             | (55,994)                   |
| CASH FLOWS FROM INVESTING ACTIVITIES:  |                            |
| Payments of notes receivable   | 6,885                      |
| Interest received on bank accounts   | <u>2,892</u>               |
| NET CASH PROVIDED BY INVESTING ACTIVITIES:   | <u>9,777</u>               |
| NET INCREASE IN CASH   | 447,206                    |
| CASH, BEGINNING OF YEAR  | <u>995,822</u>             |
| CASH, END OF YEAR  | <u><u>\$ 1,443,028</u></u> |
| RECONCILING OF OPERATING LOSSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES           |                            |
| Operating income   | \$ 33,066                  |
| Adjustments to reconcile operating income to net cash provided by operating activities |                            |
| Depreciation   | 159,400                    |
| Changes in assets and liabilities:   |                            |
| Increase in receivables  | 141,078                    |
| Increase in prepaid expenses   | 1,213                      |
| Decrease in prepaid lease  | 1,410                      |
| Increase in deferred outflows of resources   | (33,047)                   |
| Increase in accounts payable   | 124,184                    |
| Increase in payroll accruals   | 3,079                      |
| Increase in deferred inflows of resources  | (23,708)                   |
| Decrease in net pension liability  | <u>86,748</u>              |
| Net cash provided by operating activities  | <u><u>\$ 493,423</u></u>   |
| Unrestricted cash  | \$ 1,258,204               |
| Restricted cash  | <u>184,824</u>             |
| Total cash   | <u><u>\$ 1,443,028</u></u> |

See accompanying notes and independent auditor's report.

Region 6 Planning Commission  
NOTES TO FINANCIAL STATEMENTS  
For the year ended June 30, 2016

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.

Region 6 Planning Commission  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
For the year ended June 30, 2016

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.

Region 6 Planning Commission  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
For the year ended June 30, 2016

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 \$3,000 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.

Region 6 Planning Commission  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
For the year ended June 30, 2016

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

The Commission presents its assets, deferred outflows, liabilities, and deferred inflows 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.

Region 6 Planning Commission  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
For the year ended June 30, 2016

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, 2016, were \$1,458,870. At June 30, 2016, the Commission had a balance of \$708,870 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) was \$1,443,028 on June 30, 2016.

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, 2016, no new loans were issued. Management considers the remaining notes receivable of \$23,332 at June 30, 2016 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, 2016

NOTE D. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 was as follows:

|                                   | Balance<br>Beginning<br>of Year | Increases           | Decreases   | Balance<br>End of Year |
|-----------------------------------|---------------------------------|---------------------|-------------|------------------------|
| Capital assets being depreciated: |                                 |                     |             |                        |
| Buildings                         | \$ 484,031                      | \$ -                | \$ -        | \$ 484,031             |
| Furniture and fixtures            | 25,161                          | -                   | -           | 25,161                 |
| Vehicles                          | <u>1,261,434</u>                | <u>55,994</u>       | <u>-</u>    | <u>1,317,428</u>       |
| Total capital assets              | <u>1,770,626</u>                | <u>55,994</u>       | <u>-</u>    | <u>1,826,620</u>       |
| Less accumulated depreciations:   |                                 |                     |             |                        |
| Buildings                         | 77,156                          | 12,101              | -           | 89,257                 |
| Furniture and fixtures            | 14,368                          | 1,775               | -           | 16,143                 |
| Vehicles                          | <u>891,924</u>                  | <u>145,525</u>      | <u>-</u>    | <u>1,037,449</u>       |
| Total accumulated depreciation    | <u>983,448</u>                  | <u>159,401</u>      | <u>-</u>    | <u>1,142,849</u>       |
| Capital assets, net               | <u>\$ 787,178</u>               | <u>\$ (103,407)</u> | <u>\$ -</u> | <u>\$ 683,771</u>      |

NOTE E. RESTRICTED NET POSTION

Restricted net position consists of the following restricted amounts:

|                                  |                   |
|----------------------------------|-------------------|
| Restricted for RLF program       | \$ 56,696         |
| Restricted for LHAP loan program | 3,907             |
| Restricted for RLF sequester     | <u>124,221</u>    |
| Total restricted net position    | <u>\$ 184,824</u> |

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 \$5,628 were made during the year ended June 30, 2016. The remaining lease commitment is \$5,628 for the years ending June 30, 2017 through June 30, 2019, and \$3,283 for the year ended June 30, 2020.

Region 6 Planning Commission  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
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, 2016. The remaining lease commitment is \$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, 2016 was \$23,522. The liability has been computed based on rates of pay in effect at June 30, 2016.

Region 6 Planning Commission  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
For the year ended June 30, 2016

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 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.

2. Pension Benefits

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65. A regular member who completes seven years of covered service or has reached the age of 65 while in IPERS-covered employment becomes vested. 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 to 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 as of their trade date.

Region 6 Planning Commission  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
For the year ended June 30, 2016

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, 2016, was \$46,006.

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

At June 30, 2016, the Commission reported a liability of \$382,369 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as 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, 2015, the Commission’s proportion was 0.0077395 percent, which was a decrease of 0.000285 percent from its proportion measured at June 30, 2014.

Region 6 Planning Commission  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
For the year ended June 30, 2016

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, 2016, The Commission recognized pension expense of \$75,999. At June 30, 2016, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 2,564                          | \$ -                             |
| Changes of assumptions                             | (2,518)                           |                                  |
| Differences between Projected and Actual           |                                   |                                  |
| Investment earnings                                | 57,210                            |                                  |
| Changes in proportion and differences between      |                                   |                                  |
| Commission contributions and proportionate         |                                   |                                  |
| share of contributions                             | 16,896                            |                                  |
| Difference between Projected and                   |                                   |                                  |
| Actual Investment                                  |                                   | (23,708)                         |
| Commission contributions subsequent to             |                                   |                                  |
| measurement date                                   | 46,006                            |                                  |
| Total  | \$ 120,158                        | \$ (23,708)                      |

The \$56,893 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, 2016. 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    |
|----------------------|-----------|
| 2017                 | \$ 14,772 |
| 2018                 | 14,772    |
| 2019                 | 14,772    |
| 2020                 | 41,570    |
| 2021                 | 6,797     |
| Thereafter           | -         |
|                      | \$ 92,683 |

Region 6 Planning Commission  
 NOTES TO FINANCIAL STATEMENTS – CONTINUED  
 For the year ended June 30, 2016

NOTE H. PENSION AND RETIREMENT BENEFITS – CONTINUED

7. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                                 |  |
|---------------------------------|--|
| Inflation                       | 3.0% per annum   |
| Salary Increases                | 4.0 % per year   |
| Wage growth rate                | 4.0% per annum based on 3% inflation assumption                                  |
| 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 Employee and Healthy Annuitant Tables with generational scaling and age adjustments. 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, 2015 valuation are based on the results of the most recent actuarial experience study, which covered the four year period ending June 30, 2014. That experience study report is dated May 27, 2014. Experience studies are performed quadrennial.

| <u>Asset Class</u>     | <u>Asset Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|------------------------|-------------------------|---|
| Core-plus fixed income | 28%                     | 2.04%   |
| Domestic equity        | 24%                     | 6.29%   |
| International equity   | 16%                     | 6.75%   |
| Private equity/debt    | 11%                     | 11.32%  |
| Real estate            | 8%                      | 3.48%   |
| Credit opportunities   | 5%                      | 3.63%   |
| U.S. TIPS              | 5%                      | 1.91%   |
| Other real assets      | 2%                      | 6.24%   |
| Cash                   | 1%                      | -0.71%  |
| Total                  | 100%                    |   |

Region 6 Planning Commission  
 NOTES TO FINANCIAL STATEMENTS – CONTINUED  
 For the year ended June 30, 2016

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, 2015, 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<br>6.50% | Current<br>Discount Rate<br>7.50% | 1% Increase<br>8.50% |
|-----------------------|----------------------|-----------------------------------|----------------------|
| Net Pension Liability | \$ 669,459           | \$ 382,369                        | \$ 140,044           |

Region 6 Planning Commission  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
For the year ended June 30, 2016

NOTE H. PENSION AND RETIREMENT BENEFITS – CONTINUED

11. Payables to the Pension Plan

At June 30, 2016, the Commission reported payables to the Plan of \$3,790 for legally required contributions

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.

Region 6 Planning Commission  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
For the year ended June 30, 2016

NOTE I. RISK MANAGEMENT - CONTINUED

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, 2016 was \$30,112.

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, 2016, 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.

Region 6 Planning Commission  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
For the year ended June 30, 2016

NOTE I. RISK MANAGEMENT - CONTINUED

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

NOTE 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 25.8% total revenue was from the Iowa Department of Transportation.

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, 2016, the Commission received a total of \$30,800 from Region Six Housing Trust Fund for their administrative costs. The balance of administrative costs due to the Commission at June 30, 2016 was \$4,342.

REQUIRED SUPPLEMENTAL INFORMATION

Region 6 Planning Commission  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 For the year ended June 30, 2016

|   | 2016       | 2015       |
|---|------------|------------|
| Commission's proportion of the net pension liability  | 0.7740%    | 0.7454%    |
| Comission's proportionate share of the net pension liability  | \$ 382,369 | \$ 295,621 |
| Comission's covered-employee payroll  | \$ 498,041 | \$ 491,567 |
| Comission's proportionate share of the net pension liability<br>as a percentage of its covered-employee payroll | 76.77%     | 60.14%     |
| Plan fiduciary net position as a percentage of the total net<br>pension liability                               | 85.19%     | 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, 2016

|  | <u>2016</u>       | <u>2015</u>       | <u>2014</u>     | <u>2013</u>       | <u>2012</u>       |
|--|-------------------|-------------------|-----------------|-------------------|-------------------|
| Statutorily required contribution                                  | \$ 44,475         | \$ 43,897         | \$ 40,664       | \$ 40,664         | \$ 39,886         |
| Contributions in relation to the statutorily required contribution | <u>(46,006)</u>   | <u>(47,349)</u>   | <u>(37,861)</u> | <u>(41,985)</u>   | <u>(46,490)</u>   |
| Contribution deficiency (excess)                                   | <u>\$ (1,531)</u> | <u>\$ (3,452)</u> | <u>\$ 2,803</u> | <u>\$ (1,321)</u> | <u>\$ (6,604)</u> |
| Commission's covered-employee payroll                              | \$ 498,041        | \$ 491,567        | \$ 455,361      | \$ 455,361        | \$ 494,250        |
| Contributions as a percentage of covered-employee payroll          | 9.24%             | 9.63%             | 8.31%           | 9.22%             | 9.41%             |

**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  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION – PENSION LIABILITY  
For the year ended June 30, 2016

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

There were no changes to the benefit and funding terms, or changes in the actuarial assumptions in the 2015 valuation.

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

SUPPLEMENTAL INFORMATION

Region 6 Planning Commission  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the year ended June 30, 2016

| Federal Agency/Program                                  | Passthrough Agency          | CFDA<br>Number | Grant/Identifying<br>Number | Amount<br>Expended       |
|---|-----------------------------|----------------|-----------------------------|--------------------------|
| <b>Direct:</b>  |                             |                |                             |                          |
| <b>U.S. Department of Commerce</b>                      |                             |                |                             |                          |
| Support for Planning Organizations                      |                             | 11.302         | 05-83-05319.02              | \$ 45,000                |
| Support for Planning Organizations                      |                             | 11.302         | ED16DEN3020007              | 33,000                   |
| Subtotal:   |                             |                |                             | <u>78,000</u>            |
| Economic Adjustment Assistance                          |                             | 11.307         | 05-79-03546                 | <u>102,125</u>           |
| <b>Total direct awards</b>                              |                             |                |                             | <b>\$ 180,125</b>        |
| <b>Indirect:</b>  |                             |                |                             |                          |
| <b>U.S. Department of Transportation</b>                |                             |                |                             |                          |
| Community Development Block Grants                      | Iowa Dept. of Economic Dev. | 14.228         | 08-DRH-002                  | \$ 315,417               |
| <b>U.S. Department of Housing and Urban Development</b> |                             |                |                             |                          |
| HOME Investment Partnership Program                     | Iowa Finance Authority      | 14.239         | 14-HM-174                   | 187,348                  |
| <b>U.S. Department of Transportation</b>                |                             |                |                             |                          |
| Highway Planning and Construction                       | Iowa Assoc. of Reg.Councils | 20.205         | 16RPA-06                    | 18,754                   |
| Formula Grants for Rural Areas:                         |                             |                |                             |                          |
| Non-Urban Oprating Assistance Project                   | Iowa Dept. of Trans.        | 20.509         | IA-18-X031                  | 172,090                  |
| RTAP (Training Fellowship)                              | Iowa Dept. of Trans.        | 20.509         | TRF15-013                   | 464                      |
| RTAP (Training Fellowship)                              | Iowa Dept. of Trans.        | 20.509         | TRF16-069                   | 1,040                    |
| Non-Urban Surface Transportation Project                | Iowa Dept. of Trans.        | 20.509         | 85-X033-060-15              | <u>40,000</u>            |
| Subtotal:   |                             |                |                             | 213,594                  |
| State Planning and Research                             | Iowa Assoc. of Reg.Councils | 20.515         | 16RPA-06                    | 7,169                    |
| <b>Total indirect awards</b>                            |                             |                |                             | <u>742,282</u>           |
| <b>Total fedreal awards</b>                             |                             |                |                             | <u><u>\$ 922,407</u></u> |

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, 2016

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) Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Federal programs 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.

5.      De Minimis Indirect Cost Rate

The Commission has elected not to charge the 10% de minimis indirect cost rate to its federal award programs.

Region 6 Planning Commission  
SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN BALANCES - BUDGET AND ACTUAL  
For the year ended June 30, 2016

|  | Original and Final<br>Budget | Actual              | Final to Actual<br>Variance Positive<br>(Negative) |
|--|------------------------------|---------------------|--|
| Revenues:  |                              |                     |  |
| EDA planning   | \$ 90,000                    | \$ 47,374           | \$ (42,626)  |
| Grant Administration   | 141,000                      | 418,954             | 277,954  |
| Planning dues and state grant support  | 51,400                       | 54,461              | 3,061  |
| Transportation planning  | 58,607                       | 40,131              | (18,476)   |
| Flood 2008   | 300,000                      | 315,417             | 15,417   |
| EDA Revolving Loan Fund  | 100,000                      | 7,513               | (92,487)   |
| Transit operations   | 913,965                      | 949,950             | 35,985   |
| Total revenues   | <u>1,654,972</u>             | <u>1,833,800</u>    | <u>178,828</u>                                     |
| Expenses:  |                              |                     |  |
| EDA planning   | 120,159                      | 88,934              | (31,225)   |
| Grant Administration   | 143,249                      | 428,018             | 284,769  |
| Community planning   | -                            | 116                 | 116  |
| Transportation planning  | 73,259                       | 32,406              | (40,853)   |
| Flood 2008   | 300,000                      | 317,021             | 17,021   |
| EDA Revolving Loan Fund  | 100,000                      | 25                  | (99,975)   |
| Transit operations   | 824,845                      | 780,266             | (44,579)   |
| General administration   | -                            | 207,053             | 207,053  |
| Total expenses   | <u>1,561,512</u>             | <u>1,853,839</u>    | <u>292,327</u>                                     |
| Excess (deficit) of revenues over expenses   | 93,460                       | (20,039)            | (113,499)  |
| Capital expenditures   | (190,000)                    | (55,994)            | 134,006  |
| Transit equipment grant and vehicle sale   | 134,554                      | -                   | (134,554)  |
| Net capital expenditures   | <u>(55,446)</u>              | <u>(55,994)</u>     | <u>(548)</u>                                       |
| Excess of (deficit) revenues and other financing sources<br>over expenses and capital expenditures | 148,906                      | 35,955              | (112,951)  |
| Net position balances, beginning of year, adjusted   | 1,649,941                    | 1,649,941           | -  |
| Net position balances, end of year   | <u>\$ 1,798,847</u>          | <u>\$ 1,685,896</u> | <u>\$ (112,951)</u>                                |

See accompanying notes and independent auditor's report.

Region 6 Planning Commission  
NOTES TO SUPPLEMENTAL INFORMATION – BUDGETARY REPORTING  
For the year ended June 30, 2016

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.



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 the business type activities of Region 6 Planning Commission (the Commission), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which comprise Region 6 Planning Commission's basic financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated November 11, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control 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 a material weakness and a significant deficiency.

*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 the deficiency described in the accompanying schedule of findings and questioned costs as 2016-002 to be a material weakness.

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 the deficiency described in the accompanying schedule of findings and questioned costs as 2016-001 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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**

The Commission's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The 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.  
Omaha, Nebraska  
November 11, 2016



## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors  
Region 6 Planning Commission

### **Report on Compliance for Each Major Federal Program**

We have audited Region 6 Planning Commission's (the Commission) compliance with the types of compliance requirements described in the *OMB 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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, 2016.

### **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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Hayes & Associates, L.L.C.  
Omaha, Nebraska  
November 11, 2016

Region 6 Planning Commission  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year ended June 30, 2016

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: **Yes**

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 200.516 of Uniform Guidance: **None Noted**

Identification of major programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------|---|
| 14.228              | Community Development Block Grants        |
| 20.509              | Formula Grants for Rural Areas            |

Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000**

Audit qualified as low risk auditee: **No**

Region 6 Planning Commission  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
Year ended June 30, 2016

II. FINDINGS—FINANCIAL STATEMENTS

**2016-001 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 on an annual basis and may authorize staffing additions in the future so that they may be able to better segregate duties.

Region 6 Planning Commission  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
Year ended June 30, 2016

II. FINDINGS—FINANCIAL STATEMENTS - CONTINUED

**2016-002 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). Significant audit adjustments were made to accounts payable, expenses, prepaid assets, accounts receivable, and net pension liabilities. 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.

*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.

*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 similar from year-to-year and common areas for misstatements for many small local governments. 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 and other necessary adjustments. The Commission should implement adequate internal controls to review the financial statements and footnotes prior to providing the unaudited financial statements to the auditor. Management should understand where amounts and information presented in the financial statements and footnotes are derived to facilitate this review and the generation of accrual entries in their pre-audit review. Internal controls should include a reconciliation of the financial statements and footnotes prepared by the auditor to Commission's accounting records.

*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 their best to perform all accruals prior to the audit.

Region 6 Planning Commission  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
Year ended June 30, 2016

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-11 Official Depositories - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Commission's investment policy were noted.

Region 6 Planning Commission  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year ended June 30, 2016

II. FINDINGS—FINANCIAL STATEMENTS

**2015-001 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 and may authorize staffing additions in the future so that we may be able to better segregate duties.

*Follow up:* See finding 2016-001.

Region 6 Planning Commission  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year ended June 30, 2016

II. FINDINGS—FINANCIAL STATEMENTS - CONTINUED

**2015-002 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 expenses 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.

Region 6 Planning Commission  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year ended June 30, 2016

II. FINDINGS—FINANCIAL STATEMENTS - CONTINUED

**2015-002 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 2016-002.

III. FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS

None noted.

IV. OTHER FINDINGS RELATED TO REQUIRED STATUTORY 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-11 Official Depositories - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Commission's investment policy were noted.