

FINANCIAL STATEMENTS

SOUTHERN IOWA COUNCIL OF
GOVERNMENTS AND AFFILIATE
CRESTON, IOWA

September 30, 2006

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southern Iowa Council of Governments and
Southern Iowa Development Group, Inc.
Creston, Iowa 50801

I have audited the accompanying combined statement of financial position of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. as of September 30, 2006, and the related combined statements of activities and cash flows for the year then ended. These combined financial statements are the responsibility of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s management. My responsibility is to express an opinion on these combined financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. as of September 30, 2006, and the results of their operations, changes in their net assets and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued a report dated December 28, 2006 on my consideration of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s internal control over financial reporting and my tests of compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

My audit was performed for the purpose of forming an opinion on the combined financial statements of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. taken as a whole. The supplemental information identified in the table of contents pages 11 - 21, including the schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

T. J. Welby CPA

Creston, Iowa
December 28, 2006

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
 COMBINED STATEMENT OF FINANCIAL POSITION
 September 30, 2006

ASSETS

CURRENT ASSETS	
Cash	\$ 1,039,074
Investment	3,487
Accounts receivable	128,586
Prepaid expense	787
Current portion of long term loans receivable	<u>150,725</u>
Total current assets	<u>1,322,659</u>
LONG TERM RECEIVABLE - RLF Loans (net of allowance of \$11,610)	994,277
Less current portion	<u>150,725</u>
Total long term receivable	<u>843,552</u>
PROPERTY AND EQUIPMENT - at cost	
Building and equipment	181,588
Less accumulated depreciation	<u>(121,521)</u>
Total property and equipment	<u>60,067</u>
Total assets	<u>\$ 2,226,278</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Current portion of long-term debt	\$ 3,613
Notes payable	177,991
Accounts payable	8,307
Accrued expenses	<u>23,866</u>
Total current liabilities	<u>213,777</u>
LONG TERM LIABILITIES	
Long-term debt net of current portion	12,830
Payable to EDSA	<u>31,228</u>
Total long term liabilities	<u>44,058</u>
Total liabilities	<u>257,835</u>
NET ASSETS	
Unrestricted	
Undesignated general fund	620,743
Designated for RFL Administration	(142,677)
Restricted	
Grant fund balances	1,430,402
Administrative contracts	<u>59,975</u>
Total fund balance	<u>1,968,443</u>
Total liabilities and fund balances	<u>\$ 2,226,278</u>

The Notes to Financial Statements are an integral part of this statement.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
 COMBINED STATEMENT OF ACTIVITY
 September 30, 2006

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT:			
Federal funds	\$ ---	\$ 141,975	\$ 141,975
State grants	---	564,722	564,722
Local funds	80,409	---	80,409
Local in-kind	---	2,176	2,176
Interest income	64,163	---	64,163
Service income	230,534	---	230,534
Miscellaneous	71,252	---	71,252
Net assets released from restrictions	<u>676,823</u>	<u>(676,823)</u>	<u>---</u>
Total revenue and support	<u>1,123,181</u>	<u>32,050</u>	<u>1,155,231</u>
EXPENSES:			
Salary	248,959	---	248,959
Employee fringe	38,358	---	38,358
Health insurance	19,445	---	19,445
Accounting/consulting/legal	8,032	---	8,032
Depreciation	7,608	---	7,608
Consumable supplies	10,457	---	10,457
Dues and subscriptions	2,545	---	2,545
Repairs and maintenance	2,197	---	2,197
Insurance	8,118	---	8,118
Miscellaneous	31,179	---	31,179
Postage	3,066	---	3,066
Printing and publicity	8,670	---	8,670
Utilities	8,897	---	8,897
Telephone	3,183	---	3,183
Interest	9,810	---	9,810
Housing rehab	635,546	---	635,546
Emergency repairs	58,648	---	58,648
Travel & Meetings	19,062	---	19,062
In-kind	<u>2,176</u>	<u>---</u>	<u>2,176</u>
Total expenses	<u>1,125,956</u>	<u>---</u>	<u>1,125,956</u>
EXCESS OF REVENUE AND SUPPORT OVER EXPENSES	(2,775)	32,050	29,275
LOSS ON STOCK		(9,272)	(9,272)
NET ASSETS - Beginning of year	<u>480,841</u>	<u>1,467,599</u>	<u>1,948,440</u>
NET ASSETS - End of year	<u>\$ 478,066</u>	<u>\$1,490,377</u>	<u>\$ 1,968,443</u>

The Notes to Financial Statements are an integral part of this statement.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
 COMBINED STATEMENT OF CASH FLOWS
 September 30, 2006

Operating activities:	
Excess of revenue and support over expenses and stock loss	\$ 20,003
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	7,608
(Increase) in accounts receivable	(12,042)
(Increase) in prepaid expense	(355)
(Decrease) in allowance for doubtful notes	(12,278)
Increase in notes payable	38,793
(Decrease) in deferred revenue	(11,560)
Increase in accounts payable	858
Increase in accrued expenses	<u>7,000</u>
Net cash provided from operating activities	<u>38,027</u>
Investing activities:	
RFL loans made	(444,036)
Loss on stock	9,272
RFL loans payments received	<u>210,255</u>
Net cash (used) for investing activities	<u>(224,509)</u>
Financing activities;	
Payments on long-term debt	<u>(3,382)</u>
Net cash provided from financing activities	<u>(3,382)</u>
Net increase in cash and cash equivalents	(189,864)
Cash and cash equivalents as of the beginning of year	<u>1,228,938</u>
Cash and cash equivalents as of end of year	<u>\$ 1,039,074</u>

Supplemental disclosures of cash flow information:

Cash paid for interest \$ 9,810

The Notes to Financial Statements are an integral part of this statement.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

Note 1. Significant Accounting Policies

Entities:

The Southern Iowa Council of Governments is a public organization established by the former Iowa Code Chapter 473A and governed by 28H and 28I, and encompasses a multi-jurisdictional regional community; it is founded on, sustained by, and directly tied to local governments through local and state government laws, agreements, and other actions. As stated in the Iowa Code Chapter 28I, "The commission shall have the power and duty to make comprehensive studies and plans for the development of the area and which will eliminate planning duplication and promote economy and efficiency in the coordinated development of the area and the general welfare, convenience, safety, and prosperity of its people." The Southern Iowa Council of Governments serves the local governments and citizens in the counties of Adair, Adams, Clarke, Decatur, Madison, Ringgold, Taylor, and Union. The Agency is an organization exempt from income tax under Internal Revenue Code Section 170(c)(2).

The Southern Iowa Development Group, Inc. was organized June 22, 1987, and incorporated under the Iowa Nonprofit Corporation Act, Chapter 504 A of the Code of Iowa for the following purposes: 1) To further the economic development of the region comprised of the counties of Adair, Adams, Clarke, Decatur, Madison, Ringgold, Taylor, and Union, as well as the cities located therein. 2) To promote and assist the growth and development of business concerns, including small and medium sized business concerns in said area. 3) To stimulate business opportunities and development in said area as measured by increased employment, payrolls, business volume, and corresponding community benefits. The Southern Iowa Development Group, Inc. is an organization exempt from income tax under Internal Revenue Code Section 501(c)(3). It has been classified as an organization that is not a private foundation under Section 590(a)(2) of the Internal Revenue Code and qualifies for the 50% charitable contributions deduction for individual donors.

Combined Statements:

The accompanying financial statements present the combination of the financial statements of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. Accordingly, the combined financial statements include all of the assets, liabilities, revenue, support, expenses, and changes in financial position for the two corporations. All significant inter-company transactions and accounts have been eliminated.

The combined financial statements are presented because (1) the Board of Directors and management of the two corporations are the same, and (2) the Southern Iowa Development Group, Inc. is financially dependent on the Southern Iowa Council of Governments for its Revolving Loan funds.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

Note 1. Significant Accounting Policies (continued)

Basis of reporting:

The financial statements of Southern Iowa Council of Governments and the affiliate have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the readers. All significant accounting policies are in accordance with generally accepted accounting principles.

At the end of the grant period, unearned grant funds that have been received are recorded as a liability to the grantor unless they can be carried over to the next fiscal year in which case they are carried as deferred revenue to be used for grant expenses in the future.

Revenues from administrative contracts which have not been closed are recognized according to the percentage of completion method. Recognition of unearned administrative contract revenues is deferred to be used for administrative contract expenses in the future. Fees which have been earned but not received are recorded as a receivable.

Local in-kind revenue and in-kind expenses represent the donation of goods and services to the Agency. These items are valued at cost, if known, or at estimated value. Goods and services include travel. Total in-kind revenue and expenses were \$ 2,176 for the year ended September 30, 2006.

Financial Statements Presentation:

The Organizations report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted nets assets, and permanently restricted net assets.

Unrestricted net assets consist of all resources over which the Organizations have discretionary control to use in carrying on the operations of the Organizations within the limitations of their charters and bylaws.

Temporarily restricted net assets are available for use but expendable only for purposes specified by the grantor. Temporarily restricted net assets are reported as increases in unrestricted net assets if the restrictions have expired or the purposes for which they were received have occurred in the reporting period.

Permanently restricted assets are asset which the Organizations are not allowed to use in their operations and must always be held by the Organizations. At September 30, 2006 the Organizations did not have any permanently restricted net assets.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

Note 1. Significant Accounting Policies (continued)

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents

The organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Property and Equipment

Property and equipment are capitalized at cost. It is the organization's policy to capitalize expenditures for these items in excess of \$ 300. Lesser amounts are expensed. Property and equipment are being depreciated over estimated useful lives of five to forty years using a straight-line method.

Note 2. Pension and Retirement Benefits

The Southern Iowa Council of Governments contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their covered salary and the Southern Iowa Council of Governments is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages are 6.76% and 10.14%, respectively; and police employees, in which case the percentages are 5.95% and 8.92% respectively. Contribution requirements are established by State statute. Southern Iowa Council of Governments' contribution to IPERS for the years ended September 30, 2006, 2005, and 2004 \$ 14,315, \$ 14,338 and \$ 15,124 respectively, equal to the required contributions for each year.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

Note 3. Compensated Absences

Employees of Southern Iowa Council of Governments accumulate a limited amount of earned but unused annual leave. Amounts representing unused annual leave are recorded as a liability computed on current rates of pay. The amount at September 30, 2006 was \$ 8,532.

Note 4. RLF Loan Receivable

The Southern Iowa Development Group, Inc. (SIDG) entered into an agreement with Southern Iowa Council of Governments (SICOG) to serve as a subgrantee for Revolving Loan Fund (RLF) grant SICOG obtained from the Economic Development Administration (EDA) July 13, 1987. The loans are to be repaid in monthly installments at the rate of 4%-6% per annum. EDA may terminate any grant in whole, or in part, at any time before the date of completion, whenever it is determined that the grantee has failed to comply with the conditions of the grant. The Federal EDA money in the Revolving Fund at September 30, 2006, amounted to \$ 623,467. Whenever EDA terminates any RLF grant for cause, it has the right to recover residual funds and assets of the RLF grant in accordance with the legal rights of the parties.

As of September 30, 2006, the EDA RLF loan receivable balance was \$ 597,950.

Note 5. Allocation of Expenses

Some of the costs of providing the various programs and other activities have been allocated in the statement of activity. These allocable costs include accounting, equipment maintenance, insurance, and utilities.

Note 6. Assets Acquired with Federal Funds

Nonexpendable personal property with a unit acquisition cost of \$1,000 or more acquired with federal funds must be disposed of in accordance with federal regulations. The agency may retain the property for other uses provided that compensation is made to the original federal agency or successor by applying the federal participation in the cost of the original project multiplied by the current fair market value of the property. If the grantee has no need for the property and the property has further use value, the grantee shall request disposition instructions from the original grantor agency. At September 30, 2006, SICOG has \$ 45,618 of assets with a unit acquisition cost of \$1,000 or more acquired with federal funds. The amount of federal participation is \$ 33,969 or 74.46% of the unit acquisition costs.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2006

Note 7. Payable to EDSA

The long term debt is payable to a municipality which has received an Economic Department Set Aside (EDSA) grant to be used in a revolving loan fund. The municipality has requested Southern Iowa Council of Governments and Affiliate to assist in management of the fund. The funds are then to be used to meet the required local match portion of a loan or loans which will benefit the municipal community. At September 30, 2006, \$31,228 was loaned to entities for the purpose of creating jobs in the municipal area which had received the EDSA grant.

Note 8. Long-Term Debt

Long-term debt at September 30, 2006 consisted of the following:

Mortgage payable to the bank, 6.25% due \$ 378 monthly including interest through December 2010 secured by a mortgage.	\$ 16,443
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Less current portion	<u>3,613</u> <u>\$ 12,830</u>
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Maturities of long-term debt are as follows:

Year ended September 30	Amount
2007	3,613
2008	3,845
2009	4,092
2010	4,356
2011	537

Note 9. Deposits

Southern Iowa Council of Governments deposits at September 30, 2006 were entirely covered by Federal depository insurance or by the state sinking fund in accordance with Chapter 12 of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Note 10. Intercompany Transaction

At September 30, 2006 Southern Iowa Development Group owed Southern Iowa Council of Governments \$ 59,975 for the administration of the revolving loan programs. This was eliminated for the consolidated financial statements.

SUPPLEMENTAL INFORMATION

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
 COMBINED STATEMENT OF FINANCIAL POSITION - BY FUND TYPE
 September 30, 2006

	<u>Revolving Loan Funds</u>	<u>EDA Assistance Grants</u>	<u>General Funds</u>	<u>Total</u>
ASSETS				
CURRENT ASSET				
Cash	\$ 523,841	\$ 25,462	\$ 489,771	\$ 1,039,074
Investments	3,487	---	---	3,487
Accounts receivable	---	---	128,586	128,586
Prepaid expenses	---	---	787	787
Current portion of long term loans receivable	<u>150,725</u>	<u>---</u>	<u>---</u>	<u>150,725</u>
Total current assets	<u>678,053</u>	<u>25,462</u>	<u>619,144</u>	<u>1,322,659</u>
LONG TERM RECEIVABLE - RLF Loans	994,277	---	---	994,277
Less current portion	<u>150,725</u>	<u>---</u>	<u>---</u>	<u>150,725</u>
Total long term receivable	<u>843,552</u>	<u>---</u>	<u>---</u>	<u>843,552</u>
PROPERTY AND EQUIPMENT - at cost				
Buildings and equipment	---	38,720	142,868	181,588
Less accumulated depreciation	<u>---</u>	<u>38,720</u>	<u>82,801</u>	<u>121,521</u>
Total property and equipment	<u>---</u>	<u>---</u>	<u>60,067</u>	<u>60,067</u>
 Total assets	 <u>\$ 1,521,605</u>	 <u>\$ 25,462</u>	 <u>\$ 679,211</u>	 <u>\$ 2,226,278</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Current portion of long term debt	\$ ---	\$ ---	\$ 3,613	\$ 3,613
Notes payable	---	---	177,991	177,991
Accounts payable	---	---	8,307	8,307
Accrued expenses	<u>---</u>	<u>---</u>	<u>23,866</u>	<u>23,866</u>
Total current liabilities	<u>---</u>	<u>---</u>	<u>213,777</u>	<u>213,777</u>
LONG TERM LIABILITIES				
Long term debt less current portion	---	---	12,830	12,830
Payable to EDSA	<u>31,228</u>	<u>---</u>	<u>---</u>	<u>31,228</u>
Total long term liabilities	<u>31,228</u>	<u>---</u>	<u>12,830</u>	<u>44,058</u>
 Total liabilities	 <u>31,228</u>	 <u>---</u>	 <u>226,607</u>	 <u>257,835</u>
NET ASSETS				
Unrestricted				
Undesignated general fund	---	25,462	595,281	620,743
Designated for Adminstrarive Contracts	---	---	(142,677)	(142,677)
Restricted				
Grant fund balances	1,430,402	---	---	1,430,402
Administration of RLF contracts	<u>59,975</u>	<u>---</u>	<u>---</u>	<u>59,975</u>
 Total net assets	 <u>1,490,377</u>	 <u>25,462</u>	 <u>452,604</u>	 <u>1,968,443</u>
Total liabilities and net assets	<u>\$ 1,521,605</u>	<u>\$ 25,462</u>	<u>\$ 679,211</u>	<u>\$ 2,226,278</u>

See accompanying independent auditor's report.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
 COMBINED STATEMENT OF ACTIVITY - BY FUND TYPE
 Year Ended September 30, 2006

	Revolving Loan Funds	EDA Assistance Grants	General Funds	Total
REVENUE AND SUPPORT:				
Federal funds	\$ ---	\$ 54,500	\$ 87,475	\$ 141,975
State grant	---	---	564,722	564,722
Local funds	---	16,723	63,686	80,409
Local in-kind	---	2,176	---	2,176
Interest income	62,030	---	2,133	64,163
Service income	---	---	230,534	230,534
Miscellaneous	<u>27,897</u>	<u>---</u>	<u>43,355</u>	<u>71,252</u>
Total revenue and support	<u>89,927</u>	<u>73,399</u>	<u>991,905</u>	<u>1,155,231</u>
EXPENSES:				
Salary	37,971	35,960	175,028	248,959
Employee fringe	5,528	6,599	26,231	38,358
Health ins	2,566	4,396	12,483	19,445
Housing rehab	---	---	635,546	635,546
Emergency repairs	---	---	58,648	58,648
Accounting/consulting/legal	4,833	1,665	1,534	8,032
Depreciation	---	---	7,608	7,608
Consumable supplies	1,509	3,713	5,235	10,457
Dues and subscriptions	1,351	519	675	2,545
Repairs and maintenance	---	---	2,197	2,197
Insurance	1,372	1,649	5,097	8,118
Miscellaneous	15	---	31,164	31,179
Postage	761	983	1,322	3,066
Printing and publicity	1,368	1,945	5,357	8,670
Utilities	1,459	1,906	5,532	8,897
Telephone	322	672	2,189	3,183
Interest	709	232	8,869	9,810
In kind	---	2,176	---	2,176
Travel & meetings	<u>726</u>	<u>8,371</u>	<u>9,965</u>	<u>19,062</u>
Total expenses	<u>60,490</u>	<u>70,786</u>	<u>994,680</u>	<u>1,125,956</u>
EXCESS (DEFICIENCY) OF REVENUE AND SUPPORT OVER EXPENSES	29,437	2,613	(2,775)	29,275
LOSS ON STOCK	(9,272)	---	---	(9,272)
FUND BALANCES - Beginning of year	<u>1,444,750</u>	<u>22,849</u>	<u>480,841</u>	<u>1,948,440</u>
FUND BALANCES - End of year	<u>\$ 1,464,915</u>	<u>\$ 25,462</u>	<u>\$ 478,066</u>	<u>\$ 1,968,443</u>

See accompanying independent auditor's report.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
 COMBINED STATEMENT OF ACTIVITY
 REVOLVING LOAN FUNDS
 Year Ended September 30, 2006

	<u>Housing RLF</u>	<u>Farmers Home Administration RLF</u>	<u>Economic Development Administration RLF</u>
REVENUE AND SUPPORT:			
Interest income	\$ 12,763	\$ 7,001	\$ 41,864
Loan origination fees	16,169	---	4,375
Other	---	---	<u>7,353</u>
Total revenue and support	<u>28,932</u>	<u>7,001</u>	<u>53,592</u>
EXPENSES:			
Salary	19,799	4,087	14,085
Employee fringe	3,541	522	1,465
Health insurance	1,629	250	687
Accounting/consulting/legal	2,126	1,063	1,644
Consumable supplies	620	365	524
Dues & subscriptions	8	595	748
Miscellaneous	10	---	5
Insurance	869	135	368
Postage	436	48	277
Printing and publicity	701	248	419
Utilities	934	149	376
Telephone	189	28	105
Interest	124	19	566
Travel & meetings	<u>224</u>	<u>---</u>	<u>502</u>
Total expenses	<u>31,210</u>	<u>7,509</u>	<u>21,771</u>
EXCESS (DEFICIENCY) OF REVENUE AND SUPPORT OVER EXPENSES	(2,278)	(508)	31,821
Loss on stock	---	---	(9,272)
FUND BALANCES - Beginning of year	<u>506,678</u>	<u>121,174</u>	<u>824,648</u>
FUND BALANCES - End of year	<u>\$ 504,400</u>	<u>\$ 120,666</u>	<u>\$ 847,197</u>

Economic Development Set Aside RLF	Total Revolving Loan Funds (RLF)
\$ 402	\$ 62,030
---	20,544
---	7,353
<u>402</u>	<u>89,927</u>
---	37,971
---	5,528
---	2,566
---	4,833
---	1,509
---	1,351
---	15
---	1,372
---	761
---	1,368
---	1,459
---	322
---	709
---	726
<u>---</u>	<u>60,490</u>
402	29,437
---	(9,272)
<u>(7,750)</u>	<u>1,444,750</u>
<u>\$ (7,348)</u>	<u>\$ 1,464,915</u>

See accompanying independent auditor's report.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
 COMBINED STATEMENT OF ACTIVITY
 EDA ASSISTANCE GRANTS
 Year Ended September 30, 2006

	Grant No. 05- <u>83-04263</u>	Grant No. 05- <u>83-04130</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Federal funds	\$ 28,000	\$ 26,500	\$ 54,500
Local funds	6,976	9,747	16,723
Local in-kind	<u>869</u>	<u>1,307</u>	<u>2,176</u>
Total revenue and support	<u>35,845</u>	<u>37,554</u>	<u>73,399</u>
EXPENSES:			
Salary	19,726	16,234	35,960
Employee fringe	2,437	4,162	6,599
Health insurance	1,455	2,941	4,396
Accounting/consulting/legal	94	1,571	1,665
Interest	85	147	232
Consumable supplies	863	2,850	3,713
Dues and subscriptions	500	19	519
Insurance	702	947	1,649
Postage	479	504	983
Printing and publicity	736	1,209	1,945
Utilities	515	1,391	1,906
Telephone	199	473	672
In kind	869	1,307	2,176
Travel & meetings	<u>2,719</u>	<u>5,652</u>	<u>8,371</u>
Total expenses	<u>31,379</u>	<u>39,407</u>	<u>70,786</u>
EXCESS OF REVENUE AND SUPPORT OVER EXPENSES	4,466	(1,853)	2,613
FUND BALANCES - Beginning of year	<u>---</u>	<u>22,849</u>	<u>22,849</u>
FUND BALANCES - End of year	<u>\$ 4,466</u>	<u>\$ 20,996</u>	<u>\$ 25,462</u>

See accompanying independent auditor's report.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
STATEMENT OF ACTIVITY
SICOG GENERAL FUNDS
Year Ended September 30, 2006

	Total Administrative <u>Contracts</u>	State Assistance <u>Assistance</u>	Unapplied Funds <u>Funds</u>	<u>Total</u>
REVENUE AND SUPPORT:				
Federal grant	\$ ---	\$ ---	\$ 87,475	\$ 87,475
State grant	\$ ---	\$ 9,375	\$ 555,347	\$ 564,722
Local funds	---	---	63,686	63,686
Interest income	---	---	2,133	2,133
Service income	170,539	---	59,995	230,534
Miscellaneous	---	---	43,355	43,355
Total revenue and support	<u>170,539</u>	<u>9,375</u>	<u>811,991</u>	<u>991,905</u>
EXPENSES:				
Salary	114,871	2,889	57,268	175,028
Employee fringe	17,215	849	8,167	26,231
Health insurance	8,193	458	3,832	12,483
Housing rehab	---	---	635,546	635,546
Emergency repairs	---	---	58,648	58,648
Accounting/consulting/legal	642	52	840	1,534
Depreciation	---	---	7,608	7,608
Consumable supplies	3,490	243	1,502	5,235
Dues and subscriptions	---	---	675	675
Repairs and maintenance	---	---	2,197	2,197
Insurance	2,538	208	2,351	5,097
Miscellaneous	623	---	30,541	31,164
Postage	877	52	393	1,322
Printing and publicity	3,596	209	1,552	5,357
Utilities	2,747	248	2,537	5,532
Telephone	1,799	71	319	2,189
Interest	---	30	8,839	8,869
Travel & meetings	6,068	781	3,116	9,965
Total expenses	<u>162,659</u>	<u>6,090</u>	<u>825,931</u>	<u>994,680</u>
EXCESS (DEFICIENCY) OF REVENUE AND SUPPORT OVER EXPENSES	7,880	3,285	(13,940)	(2,775)
FUND BALANCES - Beginning of year	<u>(150,557)</u>	<u>(9,118)</u>	<u>640,516</u>	<u>480,841</u>
FUND BALANCES - End of year	<u>\$ (142,677)</u>	<u>\$ (5,833)</u>	<u>\$ 626,576</u>	<u>\$ 478,066</u>

See accompanying independent auditor's report

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

Federal Grantor/Pass-through Grantor/Program	CFDA Number	Project Number	Program Expenditures
<u>U.S. Department of Commerce</u>			
Direct programs:			
Economic Development Assistance			
Title IX Long-Term Economical Deterioration Revolving Loan Fund Grant	11.307	05-39-02265	\$ 765,300
Support for Planning Organizations	11.302	05-83-03856	<u>54,500</u>
Total U.S. Department of Commerce			<u>819,800</u>
<u>U.S. Department of Agriculture</u>			
Direct program:			
National Rural Development Partnership Revolving Loan Fund Grant	10.353	None	<u>87,475</u>
Total expenditures of federal awards			<u>\$ 907,275</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS.

To the Board of Directors
Southern Iowa Council of Governments
Creston, Iowa

I have audited the combined financial statements of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. as of and for the year ended September 30, 2006 and have issued my report thereon dated December 28, 2006. I conducted my 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.

Compliance

As part of obtaining reasonable assurance about whether Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s combined financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on the compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s internal control over financial reporting in order to determine my audit procedures for the purpose of expressing my opinion on the combined financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low risk that misstatement in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period of time by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report, a public report by law, is intended solely for the information and use of the Board of Directors, management, and other parties to whom the Organization may report and is not intended to be and should not be used by anyone other than these specified parties.

Ted Willets CPA
Creston, Iowa
December 28, 2006

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Southern Iowa Council of Governments
Creston, Iowa

Compliance

I have audited the compliance of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. with the types of compliance described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2006. Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the required laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s management. My responsibility is to express an opinion on Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether non-compliance 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 Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s compliance with those requirements.

In my opinion, Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. complied in all material respects with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2006.

Internal Control Over Compliance

The management of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. is responsible for establishing and maintaining effective internal

control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and constituents of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. and other parties to whom the Organization may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Ted Willetts CPA
Creston, Iowa
December 28, 2006

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
Schedule of Prior Year Audit Findings
Year Ended September 30, 2006

Prior Year Audit Findings

Finding 05-01 Title IX Long-Term Economical Deterioration Revolving
Loan Fund Grant

Condition: This finding was a reportable condition stating that the required lending levels were not met at September 30, 2005. The finding stated that the Organization did not meet the EDA level of effort guidelines in the administration of the revolving loan fund.

Recommendation: The auditor recommended that the organization continue to monitor the project and communicate the status to the Economical Development Administration.

The Organization has continued to monitor the project and has communicated with EDA.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
SCHEDULE OF FINDINGS
Year Ended September 30, 2006

Summary of the Independent Auditor's Results

1. The auditor's report expresses an unqualified opinion on the combined financial statements of Southern Iowa Council of Governments and Affiliate
2. There are no reportable conditions relating to the audit of the combined financial statements.
3. No instances of noncompliance material to the combined financial statements of Southern Iowa Council of Governments and Affiliate, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. There were no reportable conditions relating to the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for Southern Iowa Council of Governments and Affiliate expresses an unqualified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The program tested as a major program include:

Name of federal program	CFDA number
Title IX Long-Term Economic Deterioration Revolving Loan Fund Grant	11.307

8. The threshold used for distinguishing between Type A and B programs was \$500,000
9. Southern Iowa Council of Governments and Southern Iowa Development Group, Inc, did not qualify as a low risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None