

**HUNGRY CANYONS ALLIANCE, INC.  
AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2007 AND 2006**

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October 31, 2007

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Hungry Canyons Alliance, Inc.  
Oakland, IA

We have audited the accompanying statement of financial position of the Hungry Canyons Alliance, Inc. (a nonprofit organization) as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion 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 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hungry Canyons Alliance, Inc. as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 31, 2007, on our consideration of Hungry Canyons Alliance, Inc.'s internal control over financial reporting and 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 the internal control over financial reporting or on compliance.

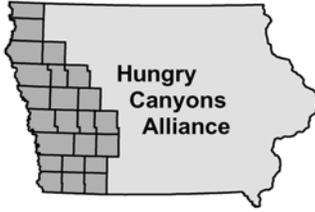
That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Continued...

October 31, 2007  
Hungry Canyons Alliance, Inc.  
Independent Auditors' Report

The management's discussion and analysis and budgetary comparison information on pages 5 through 9 and 17, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information included in the Schedule of Expenditures of Federal Awards required by *United States Office of Management and Budget (OMB) Circular A-133* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audit of the basic financial statements, and in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Management of the Hungry Canyons Alliance, Inc. (HCA) provides this Management's Discussion and Analysis of the HCA's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the HCA's financial statements which follow.

### 2007 Financial Highlights

- HCA Federal appropriations were cut from \$1.188 million in FY2006 to \$0 in FY2007 due to massive cutbacks in earmark funding from the federal legislature.
- HCA State appropriations remained the same from fiscal year 2006 to fiscal year 2007.
- Excluding the funds available for state structures, the total of all other HCA budget expenditures for fiscal year 2007 was approximately \$167,285 less than anticipated, or 53% under budget. The budget represents the maximum amount that could be used for non-structural projects. The fact that the HCA was under budget is largely due to ongoing research and education projects that were not completed. These anticipated project expenditures will be carried over to FY08.
- The HCA's total restricted assets (funds available for structures) decreased by \$17,543 from June 30, 2006 to June 30, 2007, or approximately 1.23 %, because more structures were completed than new structures were obligated.
- The HCA's total liabilities and net assets decreased by 5%, or approximately \$150,975, from June 30, 2006 to June 30, 2007. A decrease in the HCA's total liabilities and net assets is because more streambed stabilization structures were completed in 2007 than in 2006 and the drastic cut in federal appropriations. The cut in federal appropriations may have a more dramatic effect in coming years because we will not be receiving reimbursement for administration of FY2007 projects.

### Using this Annual Report

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the HCA's financial activities.

The basic financial statements consist of a Statement of Financial Position including assets, liabilities, and net assets, a Statement of Activities and Changes in Net Assets, and a Statement of Cash Flows. These statements provide information about the activities of the HCA, on a comparative basis, including resources held by the HCA but restricted for specific purposes by legislation or by the HCA's Board of Directors.

Notes to Financial Statements (pg. 14-16) provide additional information essential to a full understanding of the data provided in the basic financial statements.

## **Reporting the HCA's Financial Activities**

### *The Statement of Financial Position and Statement of Activities and Changes in Net Assets*

One of the most important questions regarding the HCA's finances is "Was the HCA monetarily able to attain its goals during the year?" The Statement of Financial Position and the Statement of Activities and Changes in Net Assets report information about the HCA's resources and its activities in a way that helps answer this question. These statements include all assets (restricted and unrestricted) and all liabilities using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the HCA's net assets, which is the difference between assets and liabilities, as one way to measure the HCA's financial position. Over time, increases or decreases in the HCA's net assets are one indicator of whether its financial position is improving or deteriorating. Additional factors, such as changes in the number of member counties involved in the HCA, changes in appropriations and legislation, measures of the number and type of structures approved or built, and the amount of local matching funds, are also important in making this determination.

### *The Statement of Cash Flows*

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash and cash equivalents resulting from three defined types of activities: cost share for county structures, cost share for small structures, and research. It provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash and cash equivalents during the reporting period.

## Financial Analysis of the HCA

- As noted earlier, net assets may serve over time as a useful indicator of financial position. The HCA's net assets decreased by \$6,387, or approximately 0.4%, from June 30, 2006 to June 30, 2007, because more available funds were obligated for new streambed stabilization structures. The number of obligations from state funds increased from \$185,500 in 2006 to \$616,200 in 2007 due to the fact that there was no federal funding available. Construction of in-stream structures is the goal of the HCA.

Assets, Liabilities and Net Assets		
	June 30,	
	2007	2006
Current assets	\$ 1,846,000	
1,854,872		
Restricted assets	1,030,799	
1,023,926		
Grant Receivable	-0-	147,493
Capital assets	2,982	
<u>4,465</u>		
Total assets	2,879,781	
3,030,756		
Current liabilities	\$ 1,391,413	
1,536,001		
Long-term debt	-0-	-0-
Total liabilities	<u>1,536,001</u>	
<u>1,536,001</u>		
Net assets:		
Invested in capital assets, net of related debt	2,982	
4,465		
Restricted:		

1,224,526	Non-expendable	1,125,039	
	Expendable	<u>237,300</u>	
<u>155,356</u>			
	Total restricted assets	1,362,339	1,379,882
	Unrestricted	<u>123,047</u>	
<u>110,408</u>			
	Total net assets	<u>1,488,368</u>	
<u>1,494,755</u>			
	Total liabilities & net assets	2,879,781	
3,030,756			

Restricted assets decreased by \$17,543 from fiscal 2006 to fiscal 2007 because more structures were completed than new structures were obligated. When applications are received from the counties and approved, all restricted fund resources are available immediately and obligated to the newly-approved structures each quarter. Net assets, in the amount of \$1,488,368, are not obligated at this time because the counties can only complete structures so fast. While we have received \$400,000 in state funds per year since 2005, for structures and administration, the HCA has obligated/spent an average of \$532,400 for structures and administration, slowly decreasing our net assets.

The following shows the changes in net assets for the HCA.

Revenues, Expenses and Changes in Net Assets			
		June 30,	
		2007	2006
	Operating revenues:		
	Federal Contracts Paid (NRCS)	\$ 1,111,861	
1,248,783			
	Federal Contracts Paid (FWS)	30,000	
	-0-		
	State Appropriations	400,000	
429,814			
	DNR Contributions	50,000	
	-0-		
	County Contributions	51,000	
42,500			
	Other Contributions (Kinder-Morgan Pipeline)	70,000	
		-0-	

	Other	<u>1,512</u>	
<u>1,769</u>			
	Total operating revenues	<u>1,714,373</u>	
<u>1,722,866</u>			
	Operating expenses:		
	Administrative	( 124,000)	(
115,000)			
	General	( 6,910)	(
12,709)			
	Lobbying	( 7,500)	(
7,500)	Research	( 8,435)	(
55,058)			
	Federal Structures Completed	(1,054,781)	
(1,188,571)			
	State Structures	( 600,971)	( 156,572)
	Small Structures	( 43,406)	( 58,185)
	Provision for Depreciation	<u>( 1,483)</u>	(
<u>1,469)</u>			
	Total operating expenses	<u>(1,847,486)</u>	<u>(1,595,064)</u>
	Non-operating revenues:		
	Interest Earned	126,726	
94,888			
	Gain (loss) on disposal of equipment	<u>-0-</u>	
<u>-0-</u>			
	Total non-operating revenues	<u>126,726</u>	
<u>94,888</u>			
	Increase (decrease) in net assets	\$ ( 6,387)	(
222,690)			
	Net Assets-Beginning of Year	<u>1,494,755</u>	<u>1,272,065</u>
	Net Assets-End of Year	1,488,368	
<u>1,494,755</u>			

The decrease in total liabilities and net assets of 5% (\$2,879,781 in 2007, down from \$3,030,756 in 2006) is a result of both an increase in the number of structure applications received and approved and an increase in the number of structures completed. The infrastructure cost-share paid to the counties from federal and/or state appropriations does not constitute any HCA, federal, or state ownership of those structures. HCA does not retain any infrastructure assets with the counties structures program or with the small structures program.

Structures are approved for cost share quarterly and structures are completed and paid year-around, so an average of 35 structures are in progress year around. The variability and unpredictable nature associated with the timing of structure completions creates the need for immediate cash flow to the counties. The amount of federally-funded structures decreased from

\$1,188,571 in 2006 to \$1,054,781 in 2007. Obligation of state structures increased from \$185,500 in 2006 to \$616,200 in 2007 due to the fact that there was no new federal funding was available and all previous federal funding had been obligated. The small structure program is funded with interest earned from state funds to protect farmlands from gully erosion.

The U.S. Fish and Wildlife Service and the Iowa Department of Natural Resources provided \$30,000 and \$50,000, respectively, to modify six existing structures for fish passage. Kinder-Morgan Pipeline Company provided \$70,000 for a structure to protect one of their pipelines. The HCA served as a pass-through, receiving the funds and then sending them immediately to the counties in which the projects were completed.

The following table lists the funds for county structure cost share that the HCA has administered during the fiscal years 2002 through 2007.

**Funds Administered by HCA - 2002 to 2007**

Year	Federal Funds Appropriated	State Funds Appropriated	County Fee	Total Contribution	Federal Funds % of Total
2002	\$ 800,000	\$ 441,667	\$ 55,000	\$ 1,296,667	0.62
2003	\$ 1,200,000	\$ -	\$ 40,000	\$ 1,240,000	0.97
2004	\$ 1,200,000	\$ 400,000	\$ 42,500	\$ 1,642,500	0.73
2005	\$ 1,190,400	\$ 400,000	\$ 42,500	\$ 1,632,900	0.73
2006	\$ 1,188,000	\$ 400,000	\$ 42,500	\$ 1,630,500	0.73
2007	\$ -	\$ 400,000	\$ 51,000	\$ 451,000	0.00
<b>Total</b>	<b>\$ 5,578,400</b>	<b>\$ 2,041,667</b>	<b>\$ 273,500</b>	<b>\$ 7,893,567</b>	<b>0.71</b>

## Factors Affecting the HCA’s Future

Overall, the HCA maintained its good financial position during the current fiscal year. However, the condition of the national, state, and local economies will continue to be a concern for the HCA Board of Directors. Some of the realities that may potentially become challenges for the HCA are:

- Ensuring that infrastructure protection and mitigating the negative impacts of streambed degradation remains an issue of priority in the eyes of federal, state, county, and local governments.
- Reductions in federal and state appropriations.
- Funding reductions for local governments that may limit the amount of matching funds available for projects.
- Changes in the number of member counties involved with the HCA.

## Contacting the HCA’s Financial Management

This financial report is designed to provide federal, state, and county governments, partners, and taxpayers with a general overview of the HCA’s finances and to show the HCA’s

accountability for the money it receives. If you have questions about this report and/or need additional financial information, contact Hungry Canyons Alliance, Inc., 712 S. Hwy. 6 & 59, P.O. Box 189, Oakland, IA 51560-0189.

## **FINANCIAL STATEMENTS**

**HUNGRY CANYONS ALLIANCE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2007 AND 2006**

**ASSETS**

	2007	2006
Current assets		
Cash and cash equivalents	\$ 1,846,000	1,854,872
Certificates of deposit	1,030,799	1,023,926
Grant receivable	-	147,493
Total current assets	2,876,799	3,026,291
Property and Equipment		
Equipment	13,661	13,661
Less accumulated depreciation	10,679	9,196
Net property and equipment	2,982	4,465
Total assets	\$ 2,879,781	3,030,756

**LIABILITIES AND NET ASSETS**

Current liabilities		
Accounts payable	\$ 127	144,335
Deferred income	24,000	33,000
Appropriated structure costs	1,367,286	1,358,666
Total current liabilities	1,391,413	1,536,001
Net assets		
Unrestricted		
Invested in property and equipment	2,982	4,465
Undesignated	123,047	110,408
	126,029	114,873
Temporarily Restricted		
Interest Funds	237,300	155,356
State Funds	1,125,039	1,224,526
	1,362,339	1,379,882
Total net assets	1,488,368	1,494,755
Total liabilities and net assets	\$ 2,879,781	3,030,756

See Accompanying Notes to Financial Statement  
**HUNGRY CANYONS ALLIANCE, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	2007			2006		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Support and Revenue</b>						
Federal contracts	\$ -	1,141,861	1,141,861	-	1,248,783	1,248,783
State appropriations	-	450,000	450,000	-	429,814	429,814
County support	51,000	-	51,000	42,500	-	42,500
Other support	-	70,000	70,000	-	-	-
Interest	1,376	125,350	126,726	1,638	93,250	94,888
Miscellaneous	1,512	-	1,512	1,769	-	1,769
Temporarily restricted funds released from restrictions	2,042,054	(2,042,054)	-	1,540,222	(1,540,222)	-
Total support and revenue	2,095,942	(254,843)	1,841,099	1,586,129	231,625	1,817,754
<b>Expenses</b>						
Federal structures	1,054,781	-	1,054,781	1,188,571	-	1,188,571
County structures	600,971	-	600,971	156,572	-	156,572
Small structures	43,406	-	43,406	58,185	-	58,185
Other program expense	-	-	-	1,624	-	1,624
Research and development	8,435	-	8,435	55,058	-	55,058
Administrative salaries and fees	124,000	-	124,000	115,000	-	115,000
Lobbying fees	7,500	-	7,500	7,500	-	7,500
Depreciation expense	1,483	-	1,483	1,469	-	1,469
Other management and general expenses	6,910	-	6,910	11,085	-	11,085
Total expenses	1,847,486	-	1,847,486	1,595,064	-	1,595,064
Increase (decrease) in net assets	248,456	(254,843)	(6,387)	(8,935)	231,625	222,690
Net assets, beginning of year	114,873	1,379,882	1,494,755	123,808	1,148,257	1,272,065
Net assets, end of year	\$ 363,329	1,125,039	1,488,366	114,873	1,379,882	1,494,755

See Accompanying Notes to Financial Statement

**HUNGRY CANYONS ALLIANCE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ (6,387)	222,690
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,483	1,469
(Increase) Decrease in :		
Receivables	147,493	(147,493)
Increase (Decrease) in:		
Appropriated structure costs	8,620	(224,324)
Accounts payable, accrued expenses	(153,208)	149,383
Net cash provided (used) by operating activities	<u>(1,999)</u>	<u>1,725</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(1,052,518)	(1,038,085)
Proceeds from sale of investments	1,045,645	1,029,059
Purchase of equipment	-	(2,403)
Net cash used by investing activities	<u>(6,873)</u>	<u>(11,429)</u>
Net change in cash	(8,872)	(9,704)
Cash and cash equivalents, beginning of year	<u>1,854,872</u>	<u>1,864,576</u>
Cash and cash equivalents, end of year	<u>\$ 1,846,000</u>	<u>1,854,872</u>

See Accompanying Notes to Financial Statement

**HUNGRY CANYONS ALLIANCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Nature of Activities – The Hungry Canyons Alliance is a private nonprofit corporation organized under Chapter 504(A), Code of Iowa in 1981. The Organization's primary focus is to protect the loess soils region of western Iowa from stream channel degradation. The Organization provides demonstrations, conducts research in effective methods, and provides financial and technical assistance for streambed stabilization projects in twenty-two counties.

The Organization is funded primarily through federal agency contracts, appropriations from state governmental agencies and support from local county governments.

Federal projects, awarded through the Hungry Canyons Alliance, Inc., receive federal funding for infrastructure protection through an approved cooperative agreement with the U.S. Department of Agriculture-Natural Resources Conservation Service. Federal awards and state appropriations provide the county cost-share for construction of stream control structures throughout the loess soils region of western Iowa.

The accompanying financial statements, which include all programs administered by Hungry Canyons Alliance, have been prepared in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other accounting principles appropriate for non-profit associations.

The Organization's Board of Directors is comprised of representatives from each county served and are appointed by the County Board of Supervisors annually.

The statements of financial position, activities, and cash flows are all organization-wide financial statements. They report information for all Hungry Canyons Alliance, Inc.'s activities, which are in turn all deemed to be governmental activities. The Organization has no proprietary type activities.

Revenue Recognition – Revenues from appropriations, grants and other services are recognized when received or accrued. State appropriations, and interest earned thereon, in excess of related program expenses are recorded as temporarily restricted net assets until those funds are expended.

Income Taxes – The Organization is considered to be an affiliate of a governmental unit, making it exempt from state and federal income taxes under the Internal Revenue Code and, accordingly, no provision has been made for income tax liabilities or expense. The Organization is not considered a private foundation.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to

make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**HUNGRY CANYONS ALLIANCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash Equivalents – For the purpose of the statements of cash flows, the Organization considers all highly liquid debt instruments purchases with maturity of three-months or less to be cash equivalents.

Grant Receivable – Grant receivable represents amounts due from the federal government for grants and reimbursement.

Property and Equipment – Equipment consists primarily of office equipment and is recorded at cost. Depreciation is provided on a straight-line basis over the five year estimated lives of the equipment.

Deferred Revenue – Deferred revenue represents county membership fees collected for the next fiscal period.

Concentration of Credit Risk – The Organization receives a substantial portion of its revenue from state grants. A significant reduction in the level of government funding would have a major effect on the Organization's programs and activities. The Organization also receives federal and county funding.

Cash funds deposited in excess of federally insured limits are protected by the Iowa State Sinking Fund for banks and savings associations, which covers Iowa uninsured public funds.

Fair Value of Financial Instruments – The carrying amounts of cash, receivables, accounts payable, accrued expenses, and other liabilities approximate their fair values due to the short-term maturities of these financial instruments.

Donor Imposed Restrictions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support depending on the nature of the restriction. The Organization's temporarily restricted net assets consist of state appropriations and interest earned on such appropriations, which are to be streambed stabilization projects that have not been approved or appropriated.



**HUNGRY CANYONS ALLIANCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007 AND 2006**

**NOTE 2 CERTIFICATES OF DEPOSIT**

At June 30, 2007 and 2006, the Organization had funds invested in certificates of deposit as follows:

	Maturity Date	Interest Rate	Amount Including Accrued Interest	
			2007	2006
Twelve-Month Certificate	08-09-06	4.00 %	\$ -	518,044
Twelve-Month Certificate	02-28-07	4.85 %	-	254,066
Twelve-Month Certificate	05-09-07	5.10 %	-	251,816
Twelve-Month Certificate	08-09-07	5.50 %	524,347	-
Twelve-Month Certificate	02-28-07	5.50 %	254,529	-
Twelve-Month Certificate	05-09-07	5.40 %	251,923	-
			<u>\$ 1,030,799</u>	<u>1,023,926</u>

**NOTE 3 APPROPRIATED STRUCTURE COSTS**

The Organization has approved various projects with local counties for soil stabilization projects. When these projects are approved, the cost is recorded as an appropriated expense. The funds are then paid when the Organization receives notice that the project is complete. The Organization had appropriated structure costs of \$1,367,286 at June 30, 2007 and \$1,358,666 at June 30, 2006.

**NOTE 4 COOPERATIVE AGREEMENT**

The Organization enters into, on an annual basis, a cooperative agreement with Golden Hills Resource Conservation and Development, Inc. Under this agreement, Golden Hill Resource Conservation and Development, Inc. performs various duties, as follows: (1) assists in the job description, salary determination and hiring of a project director for Hungry Canyons Alliance, Inc.; (2) provides training, technical assistance, office space and some equipment for use by the project director; (3) provides supervision and evaluation of performance of the project director; and (4) provides management of and accounting services for the Hungry Canyons Alliance, Inc. funds. Pursuant to this management agreement, the Organization made payments to Golden Hills Resource Conservation and Development, Inc. for administrative duties and payroll reimbursements in the amount of \$124,000 and \$115,000, for the years ended June 30, 2007 and 2006, respectively.

**NOTE 5 RELATED PARTY TRANSACTIONS**

Hungry Canyons Alliance received \$400,000 in passed through state support from Loess Hills Development and Conservation Authority for each of the years ended June 30, 2007 and 2006. Hungry Canyons Alliance is considered an affiliate of this

governmental unit. Hungry Canyons Alliance also expensed \$4,000 and \$10,000 in administrative support to this Organization for each of the years ended June 30, 2007 and 2006.

**HUNGRY CANYONS ALLIANCE, INC.**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Budget</u>	<u>Actual</u>	Budget Variance Favorable (Unfavorable)
Support and Revenue			
Federal contracts	\$ 1,114,781	1,141,861	27,080
State contracts	400,000	400,000	-
Other State support	-	50,000	50,000
County support	27,000	51,000	24,000
Other support	-	70,000	70,000
Interest	-	126,726	126,726
Miscellaneous	-	1,512	1,512
Total support and revenue	<u>1,541,781</u>	<u>1,841,099</u>	<u>299,318</u>
Expenses			
Federal funds			
Administrative expenses	62,940	57,080	5,860
Federal structures	1,054,781	1,054,781	-
State funds			
State structures	1,141,191	600,971	540,220
Administrative expenses	40,000	40,000	-
Research and development	12,000	94	11,906
Weir velocity study	70,000	-	70,000
Aerial stream video reconnaissance	10,000	-	10,000
Video development	20,000	1,635	18,365
Fish passage study	13,573	6,787	6,786
Nickpoint study	16,000	-	16,000
Stream profile surveys	20,000	-	20,000
Road signs	2,000	-	2,000
Interest funds			
Small structures	50,000	43,406	6,594
Other funds			
Administrative expenses	27,000	26,920	80
Insurance	100	85	15
Supplies	4,000	619	3,381
Meetings and travel	3,000	3,412	(412)
Subscriptions	250	-	250
Miscellaneous	250	299	(49)
Lobbyist	7,500	7,500	-
Lobbying trips	5,000	1,591	3,409
Services to counties	2,000	823	1,177
Depreciation	-	1,483	(1,483)
Total expenses	<u>2,561,585</u>	<u>1,847,486</u>	<u>714,099</u>
Change in net assets	(1,019,804)	(6,387)	1,013,417
Net assets, beginning of year	<u>1,128,970</u>	<u>1,494,755</u>	<u>365,785</u>
Net assets, end of year	<u>\$ 109,166</u>	<u>1,488,368</u>	<u>1,379,202</u>

See accompanying independent auditors' report  
**HUNGRY CANYONS ALLIANCE, INC.**  
**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**  
**YEAR JUNE 30, 2007**

<u>Grantor/Program</u>	<u>Grant or Award Number</u>	<u>CFDA Number</u>	<u>Program Expenditures</u>
Direct:			
US Department of Agriculture:			
Steambed Stabilization – Soil Conservation and Domestic Allotment Act of 1936	68-6114-2-185	10.902	\$ 20,512
	68-6114-3-200	10.902	80,545
	68-6114-4-200	10.902	200,264
	68-6114-5-044	10.902	505,887
	68-6114-6-125	10.902	304,653
			<u>1,111,861</u>
US Department of Fish and Wildlife:			
Fish Passage Program	301816 G003	15.608	<u>30,000</u>
			<u>\$ 1,141,861</u>

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Hungry Canyon Alliance and its presentation on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

See accompanying independent auditors' report

October 31, 2007

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  
Hungry Canyons Alliance, Inc.  
Oakland, IA

We have audited the financial statements of Hungry Canyons Alliance, Inc. as of and for the years ended June 30, 2007 and 2006, and have issued our report thereon dated October 31, 2007. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Hungry Canyons Alliance, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hungry Canyons Alliance, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hungry Canyons Alliance, Inc.'s internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Hungry Canyons Alliance, Inc.'s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Hungry Canyons Alliance, Inc.'s financial statements that is more than inconsequential will not be prevented or detected by Hungry Canyons Alliance, Inc.'s internal control.

Continued...

October 31, 2007  
Hungry Canyons Alliance, Inc.  
Report on Compliance and Other Matters

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Hungry Canyons Alliance, Inc.'s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hungry Canyons Alliance, Inc.'s financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Board of Directors, management, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of Hungry Canyons Alliance, Inc. during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

October 31, 2007

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

To the Board of Directors  
Hungry Canyons Alliance, Inc.  
Oakland, IA

Compliance

We have audited the compliance of Hungry Canyons Alliance, Inc. with the types of compliance requirements 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 June 30, 2007. Hungry Canyons Alliance, Inc.'s major federal program is identified in the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Hungry Canyons Alliance, Inc.'s management. Our responsibility is to express an opinion on Hungry Canyons Alliance, Inc.'s compliance based on our audit.

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

In our opinion, Hungry Canyons Alliance, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

Continued...

October 31, 2007  
Hungry Canyons Alliance, Inc.  
Report on Compliance Applicable to its Major Program

### Internal Control over Compliance

The management of Hungry Canyons Alliance, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered Hungry Canyons Alliance, 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 our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of Hungry Canyons Alliance, Inc.'s internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hungry Canyons Alliance, Inc.'s internal control over compliance.

A control deficiency in the Organization's internal control over compliance 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 non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Organization's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the Organization's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified entities.

**HUNGRY CANYONS ALLIANCE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR JUNE 30, 2007**

**Part I: Summary of the Independent Auditors' Results**

- a. The type of auditors' report issued was unqualified.
- b. No material weaknesses or significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- c. The audit did not disclose any noncompliance, which is material to the financial statements.
- d. No material weaknesses or significant deficiencies in internal control over its major program were disclosed by the audit of the financial statements.
- e. An unqualified opinion was issued on compliance with requirements applicable to its major program.
- f. The audit did not disclose any audit findings, which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).
- g. The major program was as follows:
  - CFDA Number 10.902 – Soil Conservation and Domestic Allotment act of 1936.
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. Hungry Canyons Alliance, Inc. does not qualify as a low-risk auditee.

**Part II: Findings Related to the Financial Statements**

Significant Deficiencies:                      None

Instances of Non-Compliance:              None

**Part III: Findings and Questioned Costs for Federal Awards**

Significant Deficiencies:                      None

Instances of Non-Compliance:     None

November 26, 2007

Federal Audit Clearinghouse  
1201 E. 10<sup>th</sup> Street  
Jeffersonville, IN 47132

Dear Sirs:

We have enclosed for your records a copy of the audit report and the data collection forms for Hungry Canyons Alliance, Inc. for the year ended June 30, 2007.

Sincerely,

SCHROER & ASSOCIATES, P.C.

Diane McGrain  
Shareholder

DM/sh  
Enc.