

EAST CENTRAL IOWA
COUNCIL OF GOVERNMENTS

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

YEARS ENDED JUNE 30, 2008, 2007 and 2006

- Prepared By -

Larry Pump, CPA
117 North Jackson Street
Charles City, IA 50616-2036
Phone (641) 257-4222

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EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>County</u>	<u>Term Expires</u>
David Vermedahl	Member	Benton	12-31-10
Bill Daily	Member	Benton	12-31-08
Don Magdefrau	Member	Benton	12-31-09
Linda Yoder	Member	Iowa	12-31-09
Charles Montross	Member	Iowa	12-31-08
Gary Edwards	Member	Iowa	12-31-10
Pat Harney	Member	Johnson	12-31-09
Henry Herwig	Chairperson	Johnson	12-31-08
Larry Wilson	Member	Johnson	12-31-10
Regenia Bailey	Member	Johnson	12-31-10
Leo Cook	Member	Jones	12-31-08
Dennis Hansen	Member	Jones	12-31-10
James Houser	Member	Linn	12-31-08
Lu Barron	Member	Linn	12-31-09
Ann Hearn	Member	Linn	12-31-10
Justin Shields	Member	Linn	12-31-10
Don Gray	Member	Linn	12-31-08
Randy Payne	Vice-Chairperson	Washington	12-31-08
Ed Raber	Secretary/Treasurer	Washington	12-31-09
David Plyman	Member	Washington	12-31-10



Larry Pump, CPA
117 North Jackson Street
Charles City, IA 50616

E-mail: rlp@fiai.net

(641) 257-4222
or (641) 228-2812
Fax (641) 228-1513

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
East Central Iowa Council of Governments
Cedar Rapids, IA 52401

I have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the East Central Iowa Council of Governments (ECICOG) as of and for the years ended June 30, 2008, 2007 and 2006. These financial statements are the responsibility of ECICOG's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards 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 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 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 my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ECICOG as of June 30, 2008, 2007 and 2006, and the respective changes in financial position for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated December 10, 2008 on my consideration of ECICOG's internal control over financial reporting and my 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 my 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 and should be considered in assessing the results of my audit.

Management's Discussion and Analysis on pages 4 through 6 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. Other supplementary information included in Schedules 1 and 2, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 auditing procedures applied in my 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.

A handwritten signature in cursive script that reads "Larry Pump".

December 10, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

East Central Iowa Council of Governments provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. I encourage readers to consider this information in conjunction with ECICOG's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- ECICOG's support and revenues increased 16%, or \$295,496, from fiscal 2007 to fiscal 2008. Federal capital grants increased in 2008.
- ECICOG's operation expenses increased 13%, or \$230,953 in fiscal 2008 from fiscal 2007.
- ECICOG's net assets increased 8%, or \$103,117, from June 30, 2007 to June 30, 2008.

USING THIS ANNUAL REPORT

The East Central Iowa Council of Governments is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to ECICOG's basic financial statements. 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 ECICOG's financial activities.

The Statement of Net Assets presents information on ECICOG's assets and liabilities, with the difference between the two reported as net assets. The majority of the agency's assets are transit vehicles and equipment. Over time, increases or decreases in net assets may serve as a useful indicator of how operation of the transit system affects the financial position of ECICOG.

The Statement of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on operating revenues and expenses, non-operating revenues and expenses and whether ECICOG's financial position has changed as a result of the year's activities. ECICOG's financial position tends to be somewhat dynamic as the agency's programs can change from year to year, e.g., the number of vehicles purchased or the number of grants administered.

The Statement of Cash Flows presents the change in ECICOG's cash and cash equivalents during the year. This information can assist the use of the report in determining how ECICOG financed its activities and how it met its cash requirements.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Supplementary Information provides detailed information about the grant activity. In addition, the Schedule of Expenses of Federal Awards provides details of various federal programs benefiting the agency.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of ECICOG's financial position. ECICOG's net assets for fiscal 2008 totaled approximately \$1,423,829. This compares to approximately \$1,320,712 for fiscal 2007. A summary of ECICOG's net assets is presented below.

	Net Assets	
	June 30,	
	2008	2007
Current assets	\$ 165,352	\$ 301,109
Non-current assets	302,299	158,420
Capital assets at cost, less accumulated depreciation	<u>1,005,098</u>	<u>907,756</u>
Total assets	<u>\$1,472,749</u>	<u>\$1,367,285</u>
Current liabilities	\$ 35,235	\$ 19,204
Long term debt	13,685	27,369
Total liabilities	<u>\$ 48,920</u>	<u>\$ 46,573</u>
Net assets:		
Reserved	\$ 777,163	\$ 628,127
Unreserved	<u>646,666</u>	<u>692,585</u>
Total net assets	<u>\$1,423,829</u>	<u>\$1,320,712</u>

Statement of Revenues, Expenses and Changes in Net Assets

Support and revenues are received from federal grants, state grants, and other local sources. Expenditures are expenses to operate the transit systems and programs. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the years ended June 30, 2008 and 2007 are presented below:

	Changes in Net Assets	
	June 30,	
	2008	2007
Support and Revenue		
Grants	\$1,651,163	\$1,206,486
Program reimbursements and other local sources	<u>525,944</u>	<u>675,125</u>
Total support and revenue	<u>\$2,177,107</u>	<u>\$1,881,611</u>
Expenditures	<u>2,077,803</u>	<u>1,846,850</u>
Net transactions before other financing uses	\$ 99,304	\$ 34,761
Gain on sale of assets	<u>3,813</u>	<u>8,414</u>
Changes in net assets	\$ 103,117	\$ 43,175
Net assets beginning of year	<u>1,320,712</u>	<u>1,277,537</u>
Net assets end of year	<u>\$1,423,829</u>	<u>\$1,320,712</u>

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in the net assets at the end of the fiscal year.

- Net assets for the year increased \$103,117. This increase was due to federal funds received.
- ECICOG's operating expenses (without depreciation) were \$1,738,587 and revenues were \$2,191,645. With depreciation, the total expenses were \$2,077,803 and revenues remained at \$2,191,645.
- State Transit Assistance and, Federal Transit Operating Assistance, for the year totaled \$820,825. These same funding sources for the previous fiscal year totaled \$744,326. These same funding sources are projected to increase from fiscal year 2008 to fiscal year 2009. Federal capital assistance was \$133,282 for 2008. In 2007 Federal Capital assistance was \$285,748.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing activities. Cash provided by the operating activities includes federal and state support, program reimbursements and other revenue, reduced by payments to employees and to suppliers. Cash used from financing activities includes principal payments and the purchase of capital assets. Cash provided by investing activities includes interest income.

CAPITAL ASSETS

At June 30, 2008, ECICOG had approximately \$1,005,000 invested in capital assets, net of accumulated depreciation of approximately \$2,659,000. Depreciation charges totaled \$339,216 for fiscal year 2008. More detailed information about ECICOG's capital assets is presented in Note 4 to the financial statements.

ECONOMIC FACTORS

The East Central Iowa Council of Government's Board of Directors (with input from local elected officials and citizens) considered various factors when setting the fiscal year 2009 budget and fees that will be charged for agency activities. ECICOG general fund operations are expected to remain consistent with the previous year, but could vary according to contracts received during the year.

CONTACTING ECICOG'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and customers with a general overview of ECICOG's finances and to show ECICOG's accountability for the money it receives. If you have questions about this report or need additional financial information, contact East Central Iowa Council of Governments, 700 16th Street NE, Cedar Rapids, Iowa 52402.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
STATEMENTS OF NET ASSETS
JUNE 30, 2008, 2007 and 2006

	<u>2008</u>	<u>2007</u>	<u>2006</u>
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 71,918	\$ 107,807	\$ 163,469
Prepaid expenses	6,788	5,651	5,620
Accounts receivable	86,566	187,408	99,906
Rehab note receivable	80	243	722
Total current assets	<u>\$ 165,352</u>	<u>\$ 301,109</u>	<u>\$ 269,717</u>
Noncurrent assets:			
Prepaid software agreement	<u>\$ 302,299</u>	<u>\$ 158,420</u>	<u>\$ 179,570</u>
Fixed assets:			
Furniture and equipment	\$ 39,300	\$ 33,981	\$ 30,118
Vehicles - unrestricted	699,803	789,851	705,171
Vehicles - restricted	2,882,091	2,796,414	2,829,093
Leasehold improvements	42,624	42,624	35,916
Total	<u>\$3,663,818</u>	<u>\$3,662,870</u>	<u>\$3,600,298</u>
Less accumulated depreciation	<u>(2,658,720)</u>	<u>(2,755,114)</u>	<u>(2,663,073)</u>
Net fixed assets	<u>\$1,005,098</u>	<u>\$ 907,756</u>	<u>\$ 937,225</u>
Total assets	<u>\$1,472,749</u>	<u>\$1,367,285</u>	<u>\$1,386,512</u>
LIABILITIES:			
Current liabilities:			
Trade accounts payable	\$ 6,561	\$ 5,218	\$ 67,188
Accrued benefits payable	14,990	13,986	14,418
Revolving loan	13,684	-	-
Total current liabilities	<u>\$ 35,235</u>	<u>\$ 19,204</u>	<u>\$ 81,606</u>
Long-Term debt:			
Revolving loan (Note 7)	<u>\$ 13,685</u>	<u>\$ 27,369</u>	<u>\$ 27,369</u>
Total Liabilities	<u>\$ 48,920</u>	<u>\$ 46,573</u>	<u>\$ 108,975</u>
NET ASSETS:			
Reserved (Note 2)	\$ 777,163	\$ 628,127	\$ 738,480
Unreserved	<u>646,666</u>	<u>692,585</u>	<u>539,057</u>
Total net assets	<u>\$1,423,829</u>	<u>\$1,320,712</u>	<u>\$1,277,537</u>

See Notes to Financial Statements.

**EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2008, 2007 and 2006**

	<u>2008</u>	<u>2007</u>	<u>2006</u>
REVENUES:			
Federal funds	\$1,212,983	\$ 750,089	\$ 963,795
State funds	438,180	456,397	453,797
Local funds	514,796	674,274	732,073
Interest	11,148	851	1,042
Total	<u>\$2,177,107</u>	<u>\$1,881,611</u>	<u>\$2,150,707</u>
EXPENSES:			
Salaries and fringe benefits	\$ 616,455	\$ 575,865	\$ 552,551
Payroll taxes	42,397	38,396	39,050
Parking	-	-	2,325
Travel	23,919	22,983	23,384
Travel - professional development	6,927	5,920	3,749
Utilities	6,757	9,477	12,602
Transit provider payments	895,202	739,530	633,523
Contracted services	4,562	3,848	3,722
Office expense	5,192	4,196	4,614
Printing and copying	473	2,014	1,674
Advertising	2,064	1,321	40
Dues and subscriptions	9,220	10,818	8,777
Rent	40,152	38,124	24,500
Education and training	2,548	4,811	4,040
Insurance	11,871	9,425	9,454
Repairs and maintenance	2,892	1,190	2,230
Legal and accounting	9,334	8,855	8,743
Handbook	-	3,250	-
Special legal	27,162	5,115	-
Regional land use	-	5,466	-
Depreciation	339,216	297,576	198,252
Freight and postage	3,321	2,159	4,162
Summer library reading	1,792	1,130	1,664
JC-FHLB	20,154	39,011	41,965
Jones county Swap	-	1,658	6,919
Mini-MRF project	386	4,556	660
Map/IDOT workshop	-	-	681
CEDS	1,500	-	-
Special ITS	4,307	-	-
Uncollected accounts	-	10,156	-
Total	<u>\$2,077,803</u>	<u>\$1,846,850</u>	<u>\$1,589,281</u>
Net transactions before other financing sources	\$ 99,304	\$ 34,761	\$ 561,426
Other financing sources:			
Gain on sale of fixed assets	<u>3,813</u>	<u>8,414</u>	<u>13,528</u>
Change in net assets	\$ 103,117	\$ 43,175	\$ 574,954
Net assets beginning of year	<u>1,320,712</u>	<u>1,277,537</u>	<u>702,583</u>
Net assets end of year	<u>\$1,423,829</u>	<u>\$1,320,712</u>	<u>\$1,277,537</u>

See Notes to Financial Statements.

**EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2008, 2007 and 2006**

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:			
Cash received from local sources	\$ 607,375	\$ 570,934	\$ 777,962
Cash received from state operating grants	438,180	456,397	453,381
Cash paid for salaries and benefits	(615,451)	(576,297)	(552,532)
Cash paid for administration	(226,724)	(200,350)	(245,787)
Net cash provided by operating activities	<u>\$ 203,380</u>	<u>\$ 250,684</u>	<u>\$ 433,024</u>
Cash flows from noncapital financing activities:			
Cash received from federal grants	\$1,087,964	\$ 391,993	\$ 331,262
Cash paid to governmental entities for grant contracts	(1,039,080)	(739,530)	(634,342)
Cash received from revolving loan	-	-	27,369
Net cash used for noncapital financing activities	<u>\$ 48,884</u>	<u>\$ (347,537)</u>	<u>\$ (275,711)</u>
Cash flows from capital and related financing activities:			
Cash received from federal capital grants	\$ 133,282	\$ 308,157	\$ 482,160
Net acquisition of fixed assets	(432,746)	(268,296)	(621,011)
Net cash used for capital and related financing activities	<u>\$ (299,464)</u>	<u>\$ 39,861</u>	<u>\$ (138,851)</u>
Cash flows from investing activities:			
Cash received for rehab note receivable	\$ 163	\$ 479	\$ 777
Interest received	11,148	851	1,042
Net cash used in investing activities	<u>\$ 11,311</u>	<u>\$ 1,330</u>	<u>\$ 1,819</u>
Net increase (decrease) in cash	\$ (35,889)	\$ (55,662)	\$ 20,281
Cash and cash equivalents beginning of year	<u>107,807</u>	<u>163,469</u>	<u>143,188</u>
Cash and cash equivalents end of year	<u>\$ 71,918</u>	<u>\$ 107,807</u>	<u>\$ 163,469</u>
Reconciliation of net transactions to net cash provided by operating activities:			
Net transactions	\$ 103,117	\$ 43,175	\$ 574,954
Adjustments for long-term non-cash items:			
Depreciation	339,216	297,576	198,252
Gain (loss) on sale of assets	3,813	8,414	13,528
Receipts and expenditures not classified as operating	(344,818)	51,454	(372,475)
Change in assets and liabilities:			
(Increase) decrease in prepaid expenses	(1,137)	(31)	(1,017)
(Increase) decrease in accounts receivables	100,842	(87,502)	(37,618)
Increase (decrease) in accounts payable	1,343	(61,970)	57,381
Increase (decrease) in accrued benefits payable	1,004	(432)	19
Net cash provided by operating activities	<u>\$ 203,380</u>	<u>\$ 250,684</u>	<u>\$ 433,024</u>

See Notes to Financial Statements.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008, 2007 and 2006

(1) Organization

The East Central Iowa Council of Governments (ECICOG) is an Inter-Governmental Council, established in accordance with provisions of Chapter 28E of the State Code of Iowa (Inter-Governmental Cooperation Agreement). The area of jurisdiction is Region 10 which includes Benton, Iowa, Johnson, Jones, Linn and Washington counties. ECICOG's powers and duties are those authorized by Chapter 28H of the State of Iowa (Councils of Governments). ECICOG provides professional and technical services on a regional basis to maintain area-wide certification for state and federal grant and aid projects. It also provides planning advisory services and assistance in preparing special planning documents and applications to its members. ECICOG also provides transportation services to the elderly, disabled and rural areas through East Central Iowa Transit. In performing its duties, ECICOG may contract with and expend funds from federal, state, and local agencies, public or semi-public agencies and private individuals and Corporations.

Reporting Entity

For financial reporting purposes, ECICOG has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with ECICOG are such that exclusion would cause ECICOG's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of ECICOG to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on ECICOG. ECICOG has no component units which meet the Governmental Accounting Standards Board criteria.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles.

(b) Assets, Liabilities and Net Assets

The following accounting policies are followed in preparing the statement of net assets:

Cash and Cash Equivalents - The cash balances are invested. For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

**EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008, 2007 and 2006**

(2) Summary of Significant Accounting Policies - continued

Capital Assets - Capital assets, which include property, furniture and equipment, are accounted for at original cost. Depreciation has been provided over the estimated useful lives using the straight-line method.

Accrued Benefits Payable - Accrued benefits payable are earned vacation leave and compensatory time and have been accrued as liabilities on the statement of net assets. These current liabilities have been computed based on rates of pay in effect at June 30, 2008.

Reserved Net Assets - Reserved net assets represents the portion of federal participation in the purchase of transit vehicles and related equipment. Subsequent disposition of assets purchased with federal funds are subject to certain restrictions.

(3) Cash and Investments

ECICOG's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

ECICOG is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

ECICOG had no investments at June 30, 2008.

Interest rate risk - ECICOG's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of ECICOG.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Furniture and equipment	\$ 33,981	\$ 7,200	\$ 1,881	\$ 39,300
Vehicles	3,586,265	429,359	433,730	3,581,894
Leasehold improvements	42,624	-	-	42,624
 Total	 <u>\$3,662,870</u>	 <u>\$436,559</u>	 <u>\$ 435,611</u>	 <u>\$3,663,818</u>

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008, 2007 and 2006

(5) **Pension and Retirement Benefits**

ECICOG 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 3.90% of their annual covered salary and ECICOG is required to contribute 6.05% of covered salary. Contribution requirements are established by state statute. ECICOG's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$31,618, \$28,502 and \$27,066, respectively, equal to the required contributions for each year.

(6) **Operating Lease**

ECICOG leases its office space on an operating lease basis. The lease calls for lease payments as described below. In addition, ECICOG is responsible for any leasehold improvements. Total rental and lease expense for the year ended June 30, 2008 was \$40,152.

Future rental payments are as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2009	<u>\$ 27,496</u>

(7) **Revolving Loan**

The Agency received a Revolving Loan from the Iowa Department of Transportation to fund a portion of the ITS project. The maximum amount to be loaned to the Agency is \$45,971. The loan bears no interest and will be paid back equally over 2 years beginning July 30, 2008. As of June 30, 2008 the Agency had requested \$27,369.

(8) **Note Receivable**

ECICOG has a note receivable for additional home rehabilitation work completed. The note is interest bearing at 4%. As of June 30, 2008, remaining principal on the note receivable is \$80 and is all short-term.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008, 2007 and 2006

(9) Risk Management

The Agency is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 563 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 200 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 operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Agency's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Agency's contributions to the Pool for the year ended June 30, 2008 were \$3,838.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains 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 \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or 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, 2008, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008, 2007 and 2006

(9) **Risk Management** - continued

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 of 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 the one-year period following withdrawal.

The Agency also carries commercial insurance purchased from other insurers for coverage associated with public employee dishonesty coverage and workers compensation coverage. The Agency 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.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
STATEMENT OF SELECTED PROJECT COSTS AND COMPUTATION OF SELECTED PROJECT GRANTS
YEAR ENDED JUNE 30, 2008

	STA Operating Assistance	Section 3 <u>Capital</u> 03-0104- 100-06	Section 3 <u>Capital</u> 04-0105- 100-06
Operating Expenditures:			
Personal Services	\$ -	\$ -	\$ -
Contractual Services	384,358	-	-
Commodities	-	-	-
Capital Outlay	-	85,783	53,335
Prior Year	-	45,907	53,698
Project Cost	<u>\$384,358</u>	<u>\$ 131,690</u>	<u>\$ 107,033</u>
Grant Participation in Project Cost	<u>100%</u>	<u>83%</u>	<u>83%</u>
Percentage Participation	<u>\$384,358</u>	<u>\$ 109,309</u>	<u>\$ 88,837</u>
Contract Amount	<u>\$384,358</u>	<u>\$ 146,080</u>	<u>\$ 97,940</u>
Permissible Grant (Lesser of Contract Amount or Percentage Participation)	\$384,358	\$ 109,309	\$ 88,837
Less: Grant Payments received in current year	(384,358)	(71,207)	(44,268)
Less: Grant Payments received in prior year	<u>-</u>	<u>(38,102)</u>	<u>(44,569)</u>
Grant Receivable/(Payable) at June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

<u>07RPA-R10</u>	<u>08RPA-R10</u>	<u>Section 18 Operating 18-0028- 100-08</u>	<u>Section 18 Capital 18-0028- 100-06</u>	<u>ITS</u>	<u>ITS-A</u>	<u>ITS-B</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	127,798	872,934	102,239	148,820	336,236	470,160
-	-	-	-	-	-	-
-	-	-	-	-	-	-
128,270	-	-	13,256	335,582	24,392	-
<u>\$128,270</u>	<u>\$ 127,798</u>	<u>\$ 872,934</u>	<u>\$ 115,495</u>	<u>\$ 484,402</u>	<u>\$360,628</u>	<u>\$ 470,160</u>
80%	80%	50%	80/83%	25/50%	25/50%	25/50%
<u>\$102,616</u>	<u>\$ 102,238</u>	<u>\$ 436,467</u>	<u>\$ 90,464</u>	<u>\$ 271,092</u>	<u>\$134,855</u>	<u>\$ 180,523</u>
<u>\$102,238</u>	<u>\$ 102,238</u>	<u>\$ 436,467</u>	<u>\$ 126,411</u>	<u>\$ 271,092</u>	<u>\$134,855</u>	<u>\$ 258,911</u>
\$102,238	\$ 102,238	\$ 436,467	\$ 90,464	\$ 271,092	\$134,855	\$ 180,523
(25,023)	(75,107)	(436,467)	(84,362)	(57,085)	(134,855)	(180,382)
(77,215)	-	-	(6,102)	(214,007)	-	-
<u>\$ -</u>	<u>\$ 27,131</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141</u>

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
STATEMENT OF SELECTED PROJECT COSTS AND COMPUTATION OF SELECTED PROJECT GRANTS
YEAR ENDED JUNE 30, 2008

	<u>EDA</u> <u>05-86-04347</u>	<u>EDA</u> <u>05-86-04479</u>	<u>Total</u>
Operating Expenditures:			
Personal Services	\$ -	\$ -	\$ -
Contractual Services	7,000	100,000	2,549,545
Commodities	-	-	-
Capital Outlay	-	-	139,118
Prior Year	63,000	-	664,105
Project Cost	<u>\$ 70,000</u>	<u>\$ 100,000</u>	<u>\$3,352,768</u>
Grant Participation in Project Cost	<u>50%</u>	<u>50%</u>	
Percentage Participation	<u>\$ 35,000</u>	<u>\$ 50,000</u>	<u>\$1,985,759</u>
Contract Amount	<u>\$ 35,000</u>	<u>\$ 50,000</u>	<u>\$2,145,590</u>
Permissible Grant (Lesser of Contract Amount or Percentage Participation)	\$ 35,000	\$ 50,000	\$1,985,381
Less: Grant Payments received in current year	(3,500)	(50,000)	(1,546,614)
Less: Grant Payments received in prior year	<u>(31,500)</u>	<u>-</u>	<u>(411,495)</u>
Grant Receivable/(Payable) at June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,272</u>

See Accompanying Independent Auditor's Report.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENSES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

<u>GRANTOR/PROGRAM</u>	<u>CFDA NUMBER</u>	<u>AGENCY PASS-THROUGH NUMBER</u>	<u>PROGRAM EXPENSES</u>
Direct:			
Department of Commerce:			
Economic Development Administration:			
Planning Grant	11.302	05-86-04347 05-83-04479	\$ 3,500 50,000 <u>53,500</u>
Indirect:			
Department of Transportation:			
Iowa Department of Transportation:			
Urban Mass Transportation Technical Studies Grants:			
FHWA STP/FTA Section 18	20.205	08-RPA10	\$ 77,119
Federal Transit Administration:			
Capital Investment Assistance Project Section 3	20.500	03-0104-100-06 04-0105-100-06 ITS-A ITS-B	\$ 71,207 44,268 8,051 9,756 <u>133,282</u>
ITS Deployment Project			
Federal Transit Administration:			
Public Transportation Research	20.514	ITS ITS-A ITS-B	\$ 32,940 89,396 125,966 <u>248,302</u>
Federal Transit Administration:			
Non-Urban Operating Assistance Project Section 18	20.509	18-0028-100-06 18-0028-100-08 08-RPA10 ITS ITS-A ITS-B	\$ 84,362 436,467 25,119 23,235 37,408 44,801 <u>651,392</u>
FHWA STP/FTA Section 18			
ITS Deployment Project			
Total Department of Transportation			<u>\$1,110,095</u>
Homeland Security:	97.039	FEMA-1688-DR-IA	\$ 8,712
Total			<u>\$1,172,307</u>

See Accompanying Independent Auditor's Report.



Larry Pump, CPA
117 North Jackson Street
Charles City, IA 50616

E-mail: rlp@fiai.net

(641) 257-4222
or (641) 228-2812
Fax (641) 228-1513

**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
East Central Iowa Council of Governments:

I have audited the basic financial statements of the East Central Iowa Council of Governments (ECICOG) as of and for the years ended June 30, 2008, 2007 and 2006 and have issued my report thereon dated December 10, 2008. I conducted my audit in accordance with U.S. generally accepted auditing standards 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 my audit, I considered ECICOG's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of ECICOG's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of ECICOG's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified deficiencies in internal control over financial reporting that I consider to be significant deficiencies and material weaknesses.

A control deficiency exists when the design or operation of the 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 ECICOG's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principals such that there is more than a remote likelihood a misstatement of ECICOG's financial statements that is more than inconsequential will not be prevented or detected by ECICOG's internal control. I consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

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

My consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe the significant deficiencies described above, items II-A-08 and II-B-08, are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ECICOG's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about ECICOG's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of ECICOG. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

ECICOG's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on ECICOG's responses, I did not audit ECICOG's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the East Central Iowa Council of Governments officials, employees and other parties to whom the Agency 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.

I would like to acknowledge the many courtesies and assistance extended to us by personnel of ECICOG during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



December 10, 2008



Larry Pump, CPA
117 North Jackson Street
Charles City, IA 50616

E-mail: rlp@fiai.net

(641) 257-4222
or (641) 228-2812
Fax (641) 228-1513

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

To the Board of Directors
East Central Iowa Council of Governments:

Compliance

I have audited the compliance of East Central Iowa Council of Governments (ECICOG), 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, 2008. ECICOG's major federal program is identified in Part I of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of ECICOG's management. My responsibility is to express an opinion on ECICOG's compliance based on my audit.

I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards, 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 I 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 ECICOG's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on ECICOG's compliance with those requirements.

In my opinion, ECICOG 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, 2008.

Internal Control Over Compliance

The management of ECICOG 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 my audit, I considered ECICOG'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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of ECICOG's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in ECICOG's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, I identified a deficiency in internal control over compliance that I consider to be a material weakness.

A control deficiency in ECICOG'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 combination of control deficiencies, that adversely affects ECICOG'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 ECICOG's internal control. I consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item III-A-08 to be a significant deficiency.

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 ECICOG's internal control. I consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings as item III-A-08 to be a material weakness.

ECICOG's response to the finding identified in my audit is described in the accompanying Schedule of Findings. While I have expressed my conclusion on ECICOG's response, I did not audit ECICOG's response and, accordingly, I express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials, employees and members of ECICOG and other parties to whom ECICOG 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.



December 10, 2008

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
Schedule of Findings
Year Ended June 30, 2008

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over the major program was disclosed by the audit of the financial statements, which was considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.509 - Non-Urban Assistance Project.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) ECICOG did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

II-A-08 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash revenues and expenditures are all done by the same individual.

Recommendation - I realize segregation of duties is difficult with a limited number of office employees. However ECICOG should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and make changes to improve internal control where possible.

Conclusion - Response acknowledged. ECICOG should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

II-B-08 Countersignature of Checks - The board requires all checks be signed by two authorized individuals. I noted checks written with only one authorized signature.

Recommendation - Checks should be made out and signed by one individual and then the supporting documentation should be made available with the check to the second individual for the countersignature.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
Schedule of Findings
Year Ended June 30, 2008

Part II: Findings Related to the Financial Statements: - continued

Response - We will follow this recommendation to the best of our ability. The single signature checks were limited to payroll for the period ending June 15, 2008, and one contractor payment. A countersignature was not available, due to the extraordinary circumstances created by flooding in the region. The ECICOG executive committee approved payment by single signature after the fact on June 26, 2008.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCY:

CFDA Number 20.509: Non-Urban Assistance Project
Federal Award Year: 2008
U.S. Department of Transportation
Passed through the Iowa Department of Transportation

III-A-08 The Agency did not properly segregate custody, recordkeeping and reconciling functions for revenues and expenditures, including those related to Federal Programs. See audit finding II-A-08.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-08 Questionable Expenses - No expenses I 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-08 Travel Expense - No expenses of ECICOG money for travel expenses of spouses of ECICOG officials or employees were noted.

IV-C-08 Business Transactions - No business transactions between ECICOG and ECICOG officials or employees were noted.

IV-D-08 Bond Coverage - Surety bond coverage of ECICOG officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-E-08 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and ECICOG's investment policy were noted.

IV-F-08 Board Minutes - No transactions were found that I believe should have been approved in the board minutes but were not.

