

EAST CENTRAL IOWA
COUNCIL OF GOVERNMENTS

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

YEARS ENDED JUNE 30, 2009, 2008 and 2007

- Prepared By -

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EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>County</u>	<u>Term Expires</u>
Don Magdefrau	Member	Benton	12-31-09
David Vermedahl	Member	Benton	12-31-10
Bill Daily	Member	Benton	12-31-11
Linda Yoder	Member	Iowa	12-31-09
Gary Edwards	Member	Iowa	12-31-10
Charles Montross	Member	Iowa	12-31-11
Sally Stutsman	Member	Johnson	12-31-09
Larry Wilson	Member	Johnson	12-31-10
Connie Champion	Member	Johnson	12-31-10
Henry Herwig	Chairperson	Johnson	12-31-11
Marty Kelzer	Member	Jones	12-31-09
Dennis Hansen	Member	Jones	12-31-10
Leo Cook	Vice-Chairperson	Jones	12-31-11
Don Gray	Member	Linn	12-31-11
Lu Barron	Member	Linn	12-31-09
Ann Hearn	Member	Linn	12-31-10
Linda Langston	Member	Linn	12-31-11
Ben Rogers	Member	Linn	12-31-10
Ed Raber	Secretary/Treasurer	Washington	12-31-09
David Plyman	Member	Washington	12-31-10
Adam Mangold	Member	Washington	12-31-11



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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, 2009, 2008 and 2007. 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, 2009, 2008 and 2007, and the respective changes in financial position and cash flows 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 November 12, 2009 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".

November 12, 2009

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, 2009. I encourage readers to consider this information in conjunction with ECICOG's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- ECICOG's support and revenues increased 303%, or \$6,602,775, from fiscal 2008 to fiscal 2009. State funds increased \$6,402,301 in 2009 due to state flood grant funds.
- ECICOG's operation expenses increased 311%, or \$6,469,459 in fiscal 2009 from fiscal 2008. The increase in expenses is also due to flood grants during the fiscal year.
- ECICOG's net assets increased 17%, or \$238,681, from June 30, 2008 to June 30, 2009.

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 are 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. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of ECICOG is improving or deteriorating.

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 improved or deteriorated 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 2009 totaled approximately \$1,662,510. This compares to approximately \$1,423,829 at the end of fiscal 2008. A summary of ECICOG's net assets is presented below.

	Net Assets	
	June 30,	
	2009	2008
Current assets	\$ 533,613	\$ 165,352
Non-current assets	174,889	302,299
Capital assets at cost, less accumulated depreciation	<u>1,131,121</u>	<u>1,005,098</u>
Total assets	<u>\$1,839,623</u>	<u>\$1,472,749</u>
Current liabilities	\$ 177,113	\$ 35,235
Long term debt	-	13,685
Total liabilities	<u>\$ 177,113</u>	<u>\$ 48,920</u>
Net assets:		
Reserved	\$ 871,562	\$ 777,163
Unreserved	<u>790,948</u>	<u>646,666</u>
Total net assets	<u>\$1,662,510</u>	<u>\$1,423,829</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, 2009 and 2008 are presented below:

	Changes in Net Assets	
	Year Ended June 30,	
	2009	2008
Support and Revenue		
Grants	\$8,119,471	\$1,651,163
Program reimbursements and other local sources	<u>660,411</u>	<u>525,944</u>
Total support and revenue	<u>\$8,779,882</u>	<u>\$2,177,107</u>
Expenditures	<u>8,547,262</u>	<u>2,077,803</u>
Net transactions before other financing uses	\$ 232,620	\$ 99,304
Gain on sale of assets	<u>6,061</u>	<u>3,813</u>
Changes in net assets	\$ 238,681	\$ 103,117
Net assets beginning of year	<u>1,423,829</u>	<u>1,320,712</u>
Net assets end of year	<u>\$1,662,510</u>	<u>\$1,423,829</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 \$238,681. This increase was due to state funds received.
- ECICOG's operating expenses (without depreciation) were \$8,194,108 and revenues were \$8,779,882. With depreciation, the total expenses were \$8,547,262 and revenues remained at \$8,779,882.
- The Agency had increased revenue in 2009 due to new programs for businesses and individuals impacted by the floods of 2008. State jumpstart funds were approximately \$6,300,000 for the fiscal year. The jumpstart funds are projected to increase from fiscal year 2009 to fiscal year 2010. Federal capital assistance was \$384,351 for 2009. In 2008 Federal Capital assistance was \$133,282.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing 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 capital and related financing activities includes principal payments and the purchase of capital assets. Cash provided by investing activities includes interest income.

CAPITAL ASSETS

At June 30, 2009, ECICOG had approximately \$1,131,121 invested in capital assets, net of accumulated depreciation of approximately \$2,705,982. Depreciation expense totaled \$353,154 for fiscal year 2009. 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 2010 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, 2009, 2008 and 2007

	<u>2009</u>	<u>2008</u>	<u>2007</u>
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 278,479	\$ 71,918	\$ 107,807
Prepaid expenses	5,865	6,788	5,651
Accounts receivable	249,269	86,566	187,408
Rehab note receivable	-	80	243
Total current assets	<u>\$ 533,613</u>	<u>\$ 165,352</u>	<u>\$ 301,109</u>
Noncurrent assets:			
Prepaid software agreement	<u>\$ 174,889</u>	<u>\$ 302,299</u>	<u>\$ 158,420</u>
Fixed assets:			
Furniture and equipment	\$ 54,070	\$ 39,300	\$ 33,981
Vehicles - unrestricted	718,866	699,803	789,851
Vehicles - restricted	3,021,543	2,882,091	2,796,414
Leasehold improvements	42,624	42,624	42,624
Total	<u>\$3,837,103</u>	<u>\$3,663,818</u>	<u>\$3,662,870</u>
Less accumulated depreciation	<u>(2,705,982)</u>	<u>(2,658,720)</u>	<u>(2,755,114)</u>
Net fixed assets	<u>\$1,131,121</u>	<u>\$1,005,098</u>	<u>\$ 907,756</u>
Total assets	<u>\$1,839,623</u>	<u>\$1,472,749</u>	<u>\$1,367,285</u>
LIABILITIES:			
Current liabilities:			
Trade accounts payable	\$ 62,220	\$ 6,561	\$ 5,218
Accrued benefits payable	17,258	14,990	13,986
Revolving loan	13,684	13,684	-
Line of credit	83,951	-	-
Total current liabilities	<u>\$ 177,113</u>	<u>\$ 35,235</u>	<u>\$ 19,204</u>
Long-Term debt:			
Revolving loan (Note 7)	<u>\$ -</u>	<u>\$ 13,685</u>	<u>\$ 27,369</u>
Total Liabilities	<u>\$ 177,113</u>	<u>\$ 48,920</u>	<u>\$ 46,573</u>
NET ASSETS:			
Reserved (Note 2)	\$ 871,562	\$ 777,163	\$ 628,127
Unreserved	790,948	646,666	692,585
Total net assets	<u>\$1,662,510</u>	<u>\$1,423,829</u>	<u>\$1,320,712</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, 2009, 2008 and 2007**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
REVENUES:			
Federal funds	\$1,278,990	\$1,212,983	\$ 750,089
State funds	6,840,481	438,180	456,397
Local funds	655,268	514,796	674,274
Interest	5,143	11,148	851
Total	<u>\$8,779,882</u>	<u>\$2,177,107</u>	<u>\$1,881,611</u>
EXPENSES:			
Salaries and fringe benefits	\$ 843,192	\$ 616,455	\$ 575,865
Payroll taxes	52,237	42,397	38,396
Travel	46,853	23,919	22,983
Travel - professional development	5,297	6,927	5,920
Utilities	9,388	6,757	9,477
Pass-thru	7,002,079	895,202	739,530
Contracted services	10,480	4,562	3,848
Office expense	10,299	5,192	4,196
Printing and copying	3,205	473	2,014
Advertising	3,171	2,064	1,321
Dues and subscriptions	9,260	9,220	10,818
Rent	42,809	40,152	38,124
Education and training	6,798	2,548	4,811
Insurance	10,685	11,871	9,425
Repairs and maintenance	9,830	2,892	1,190
Legal and accounting	9,613	9,334	8,855
Handbook	-	-	3,250
Special legal	57,354	27,162	5,115
Regional land use	-	-	5,466
Depreciation	353,154	339,216	297,576
Freight and postage	4,498	3,321	2,159
Summer library reading	1,777	1,792	1,130
JC-FHLB	50,729	20,154	39,011
Jones county Swap	-	-	1,658
Tama county swap	3,734	-	-
Mini-MRF project	-	386	4,556
CEDS	-	1,500	-
Special ITS	346	4,307	-
Uncollected accounts	-	-	10,156
Interest expense	474	-	-
Total	<u>\$8,547,262</u>	<u>\$2,077,803</u>	<u>\$1,846,850</u>
Net transactions before other financing sources	\$ 232,620	\$ 99,304	\$ 34,761
Other financing sources:			
Gain on sale of fixed assets	<u>6,061</u>	<u>3,813</u>	<u>8,414</u>
Change in net assets	\$ 238,681	\$ 103,117	\$ 43,175
Net assets beginning of year	<u>1,423,829</u>	<u>1,320,712</u>	<u>1,277,537</u>
Net assets end of year	<u>\$1,662,510</u>	<u>\$1,423,829</u>	<u>\$1,320,712</u>

See Notes to Financial Statements.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2009, 2008 and 2007

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:			
Cash received from local sources	\$ 627,006	\$ 607,375	\$ 570,934
Cash received from state operating grants	6,771,478	438,180	456,397
Cash received from federal operating grants	829,201	-	-
Cash paid for salaries and benefits	(840,924)	(615,451)	(576,297)
Cash paid for other suppliers of goods and services	<u>(7,179,838)</u>	<u>(226,724)</u>	<u>(200,350)</u>
Net cash provided by operating activities	<u>\$ 206,923</u>	<u>\$ 203,380</u>	<u>\$ 250,684</u>
Cash flows from noncapital financing activities:			
Cash received from federal grants	\$ -	\$1,087,964	\$ 391,993
Cash paid to governmental entities for grant contracts	-	(1,039,080)	(739,530)
Cash received from line of credit	109,437	-	-
Cash used to repay line of credit	<u>(25,486)</u>	<u>-</u>	<u>-</u>
Net cash used for noncapital financing activities	<u>\$ 83,951</u>	<u>\$ 48,884</u>	<u>\$ (347,537)</u>
Cash flows from capital and related financing activities:			
Cash received from federal capital grants	\$ 384,351	\$ 133,282	\$ 308,157
Net acquisition of fixed assets	(479,948)	(432,746)	(268,296)
Cash received from asset sales	<u>6,061</u>	<u>-</u>	<u>-</u>
Net cash used for capital and related financing activities	<u>\$ (89,536)</u>	<u>\$ (299,464)</u>	<u>\$ 39,861</u>
Cash flows from investing activities:			
Cash received for rehab note receivable	\$ 80	\$ 163	\$ 479
Interest received	5,143	11,148	851
Net cash used in investing activities	<u>\$ 5,223</u>	<u>\$ 11,311</u>	<u>\$ 1,330</u>
Net increase (decrease) in cash	\$ 206,561	\$ (35,889)	\$ (55,662)
Cash and cash equivalents beginning of year	<u>71,918</u>	<u>107,807</u>	<u>163,469</u>
Cash and cash equivalents end of year	<u>\$ 278,479</u>	<u>\$ 71,918</u>	<u>\$ 107,807</u>
Reconciliation of net transactions to net cash provided by operating activities:			
Net transactions	\$ 238,681	\$ 103,117	\$ 43,175
Adjustments for long-term non-cash items:			
Depreciation	353,154	339,216	297,576
Gain (loss) on sale of assets	6,061	3,813	8,414
Receipts and expenditures not classified as operating	<u>(287,120)</u>	<u>(344,818)</u>	<u>51,454</u>
Change in assets and liabilities:			
(Increase) decrease in prepaid expenses	923	(1,137)	(31)
(Increase) decrease in accounts receivables	(162,703)	100,842	(87,502)
Increase (decrease) in accounts payable	55,659	1,343	(61,970)
Increase (decrease) in accrued benefits payable	<u>2,268</u>	<u>1,004</u>	<u>(432)</u>
Net cash provided by operating activities	<u>\$ 206,923</u>	<u>\$ 203,380</u>	<u>\$ 250,684</u>
Supplemental disclosure of cash flow information:			
Interest paid	<u>\$ 474</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009, 2008 and 2007

(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 are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

(b) Basis of Presentation

The accounts of ECICOG are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009, 2008 and 2007

(2) Summary of Significant Accounting Policies - continued

(c) Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

ECICOG applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

ECICOG distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the ECICOG's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(d) 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.

Capital Assets - Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by ECICOG as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Furniture and Equipment	\$ 250
Vehicles	500
Leasehold Improvements	500

**EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2009, 2008 and 2007**

(2) Summary of Significant Accounting Policies - continued

Capital assets of ECICOG are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Furniture and Equipment	7-10
Vehicles	5-7
Leasehold Improvements	10-15

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, 2009.

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, 2009 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 meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

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.

**EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009, 2008 and 2007**

(4) Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Furniture and equipment	\$ 39,300	\$ 14,770	\$ -	\$ 54,070
Vehicles	3,581,894	465,177	306,662	3,740,409
Leasehold improvements	42,624	-	-	42,624
Total	<u>\$3,663,818</u>	<u>\$479,947</u>	<u>\$ 306,662</u>	<u>\$3,837,103</u>

Depreciation activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Furniture and equipment	\$ 30,339	\$ 4,417	\$ -	\$ 34,756
Vehicles	2,614,596	343,127	305,982	2,651,741
Leasehold improvements	13,785	5,610	-	19,395
Total	<u>\$2,658,720</u>	<u>\$353,154</u>	<u>\$ 305,982</u>	<u>\$2,705,892</u>

(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 4.10% of their annual covered salary and ECICOG is required to contribute 6.35% of covered salary. Contribution requirements are established by state statute. ECICOG's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$44,422, \$31,618 and \$28,502, respectively, equal to the required contributions for each year.

(6) Other Postemployment Benefits (OPEB)

The Agency implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description - The Agency operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 17 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

**EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009, 2008 and 2007**

(6) Other Postemployment Benefits (OPEB) - continued

Funding Policy - The contribution requirements of plan members are established and may be amended by the Agency. The Agency currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Agency and plan members are \$482 for single coverage and \$1,206 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2009, the City contributed \$91,293 and plan members eligible for benefits contributed \$9,464 to the plan.

(7) 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, 2009 was \$42,809.

Future rental payments are as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2010	\$ 45,000
2011	45,000
2012	<u>26,250</u>
	<u>\$116,250</u>

(8) Revolving Loan

The Agency received a Revolving Loan from the Iowa Department of Transportation to fund a portion of the ITS project. The loan bears no interest with annual debt service requirements to maturity for the Revolving Loan as follow:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	<u>\$ 13,684</u>	<u>\$ -</u>

(9) Short-Term Notes Payable - Line of Credit

The Agency has an unsecured line of credit agreement with a bank which provides it may borrow up to \$100,000 at a variable rate of interest. The line of credit is used for the jumpstart program expenditures. On October 29, 2009 the Board authorized a resolution to increase the line of credit to \$500,000.

Line of credit activity for the year ended June 30, 2009 is as follows:

<u>Balance Beginning of year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
<u>\$ -</u>	<u>\$109,437</u>	<u>\$ 25,486</u>	<u>\$83,951</u>

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009, 2008 and 2007

(10) 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 577 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, 2009 were \$4,260.

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 by The Travelers Insurance Company.

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, 2009, 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, 2009, 2008 and 2007

(10) **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.

(11) **Subsequent Event**

On July 9, 2009 the Agency completed mediation on the Iowa County CDBG project. Effective July 31, 2009 the Agency, Iowa County, Poweshiek Water Association and Iowa Communities Assurance Pool entered into a Confidential Settlement Agreement.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
STATEMENT OF SELECTED PROJECT COSTS AND COMPUTATION OF SELECTED PROJECT GRANTS
YEAR ENDED JUNE 30, 2009

	<u>STA</u> <u>Operating</u> <u>Assistance</u>	<u>STA Spec</u>	<u>Section 4</u> <u>Capital</u> <u>04-0113-</u> <u>100-08</u>	<u>Section 18</u> <u>Capital</u> <u>18-0028-</u> <u>100-09</u>
Operating Expenditures:				
Contractual Services	\$ 366,255	\$ 48,604	\$ -	\$ 912,254
Capital Outlay	-	-	434,663	-
Prior Year	-	-	-	-
Project Cost	<u>\$ 366,255</u>	<u>\$ 48,604</u>	<u>\$ 434,663</u>	<u>\$ 912,254</u>
Grant Participation in Project Cost	<u>100%</u>	<u>100%</u>	<u>83/80%</u>	<u>50%</u>
Percentage Participation	<u>\$ 366,255</u>	<u>\$ 48,604</u>	<u>\$ 357,074</u>	<u>\$ 456,127</u>
Contract Amount	<u>\$ 366,255</u>	<u>\$ 111,616</u>	<u>\$ 547,200</u>	<u>\$ 456,127</u>
Permissible Grant (Lesser of Contract Amount or Percentage Participation)	\$ 366,255	\$ 48,604	\$ 357,074	\$ 456,127
Less: Grant Payments received in current year	(366,255)	(26,695)	(356,517)	(456,127)
Less: Grant Payments received in prior year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Grant Receivable/(Payable) at June 30, 2009	<u>\$ -</u>	<u>\$ 21,909</u>	<u>\$ 557</u>	<u>\$ -</u>

(continued)

Section 18

<u>Capital</u> <u>18-0028-</u> <u>100-06</u>	<u>08RPA-</u> <u>R10</u>	<u>09RPA-</u> <u>R10</u>	<u>ITS-B</u>	<u>FEMA</u> <u>DR-1688-</u> <u>0027-00</u>	<u>EDA</u> <u>05-83-</u> <u>04479</u>	<u>EDA</u> <u>05-88-</u> <u>04743</u>	<u>EDA</u> <u>05-79</u> <u>04694</u>
\$ -	\$ -	\$136,122	\$ -	\$13,158	\$100,000	\$14,870	\$ -
33,896	-	-	65,724	-	-	-	-
<u>115,495</u>	<u>127,798</u>	-	<u>470,160</u>	<u>8,712</u>	-	-	-
\$149,391	\$127,798	\$136,122	\$535,884	\$21,870	\$100,000	\$14,870	\$ -
80/83%	80%	80%	25/50%	100%	50%	50%	100%
<u>\$117,741</u>	<u>\$102,238</u>	<u>\$108,898</u>	<u>\$229,816</u>	<u>\$21,870</u>	<u>\$ 50,000</u>	<u>\$ 7,435</u>	<u>\$ -</u>
<u>\$126,411</u>	<u>\$102,238</u>	<u>\$112,728</u>	<u>\$258,911</u>	<u>\$34,500</u>	<u>\$ 50,000</u>	<u>\$96,607</u>	<u>\$1,500,000</u>
\$117,741	\$102,238	\$108,898	\$229,816	\$21,870	\$ 50,000	\$ 7,435	\$ -
(27,277)	(27,131)	(76,911)	(49,434)	(19,084)	(50,000)	-	-
<u>(90,464)</u>	<u>(75,107)</u>	-	<u>(180,382)</u>	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,987</u>	<u>\$ -</u>	<u>\$ 2,786</u>	<u>\$ -</u>	<u>\$ 7,435</u>	<u>\$ -</u>

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
STATEMENT OF SELECTED PROJECT COSTS AND COMPUTATION OF SELECTED PROJECT GRANTS
YEAR ENDED JUNE 30, 2009

	EDA 05-69- 04682	CDBG 08-DRH- 005	CDBG 08-DRH- 205	Total
Operating Expenditures:				
Contractual Services	\$ 105,653	\$ 49,042	\$ 903	\$1,746,861
Capital Outlay	-	-	-	534,283
Prior Year	-	-	-	722,165
Project Cost	\$ 105,653	\$ 49,042	\$ 903	\$3,003,309
Grant Participation in Project Cost	100%	100%	100%	
Percentage Participation	<u>\$ 105,653</u>	<u>\$ 49,042</u>	<u>\$ 903</u>	<u>\$2,021,656</u>
Contract Amount	<u>\$ 300,000</u>	<u>\$1,407,385</u>	<u>\$2,412,661</u>	<u>\$7,882,639</u>
Permissible Grant (Lesser of Contract Amount or Percentage Participation)	\$ 105,653	\$ 49,042	\$ 903	\$2,021,656
Less: Grant Payments received in current year	(105,653)	-	-	(1,561,084)
Less: Grant Payments received in prior year	-	-	-	(345,953)
Grant Receivable/(Payable) at June 30, 2009	<u>\$ -</u>	<u>\$ 49,042</u>	<u>\$ 903</u>	<u>\$ 114,619</u>

See Accompanying Independent Auditor's Report.

**EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENSES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009**

<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	05-88-04743 05-83-04479	\$ 7,435 50,000 <u>57,435</u>
Economic Adjustment Disaster Recovery	11.307	05-69-04682 05-79-04694	\$ 105,653 - <u>105,653</u>
			<u>\$ 163,088</u>
Indirect:			
Department of Transportation:			
Iowa Department of Transportation:			
Urban Mass Transportation Technical Studies Grants:			
FHWA STP/FTA Section 18	20.205	09-RPA10	<u>\$ 80,884</u>
Federal Transit Administration:			
Capital Investment Assistance Project Section 3	20.500	04-0113-100-08	\$ 357,074
ITS Deployment Project		ITS-B	7,794 <u>364,868</u>
Federal Transit Administration:			
Public Transportation Research	20.514	ITS-B	<u>\$ 32,862</u>
Federal Transit Administration:			
Non-Urban Operating Assistance Project Section 18	20.509	18-0028-100-06 18-0028-100-09 09-RPA10 ITS-B	\$ 27,277 456,127 28,014 8,637 <u>520,055</u>
FHWA STP/FTA Section 18			
ITS Deployment Project			
Total Department of Transportation			<u>\$ 998,669</u>
Department of Homeland Security:			
Iowa Homeland Security	97.039	FEMA-1688-DR-IA	<u>\$ 13,158</u>
Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Linn County:			
Community Development Block Grant Program	14.228 14.228	08-DRH-005 08-DRH-205	\$ 49,042 903 <u>49,945</u>
Total			<u>\$1,224,860</u>

See Accompanying Independent Auditor's Report.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
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, 2009, 2008 and 2007 and have issued my report thereon dated November 12, 2009. 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-09, II-B-09 and II-C-09 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, 2009 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.



November 12, 2009



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**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 programs for the year ended June 30, 2009. ECICOG's major federal programs are 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 programs are 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 programs for the year ended June 30, 2009.

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-09 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-09 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.



November 12, 2009

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
Schedule of Findings
Year Ended June 30, 2009

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 programs were 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 programs.
- (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 programs were CFDA Number 20.500 - Capital Investment Grant and 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-09 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-09 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, 2009

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 primarily for jumpstart grants funds. A countersignature was not available, due to the urgency in getting the funds to those impacted by the floods. The ECICOG executive committee approved payment by single signature after the fact on May 28, 2009.

Conclusion - Response accepted.

II-C-09 Bank Signature Cards - I noted that one bank signature card was not current.

Recommendation - All bank authorized signature cards should be reviewed and updated. Only current Agency employees or board members should be authorized signers.

Response - An information change form was given to the bank on February 23, 2009, however the bank missed a signature card for one account. We will review all signature cards and update them per guidelines recommended.

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 20.500: Capital Investment Grants
Federal Award Year: 2009
U.S. Department of Transportation
Passed through the Iowa Department of Transportation

CFDA Number 20.509: Non-Urban Assistance Project
Federal Award Year: 2009
U.S. Department of Transportation
Passed through the Iowa Department of Transportation

III-A-09 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-09.

EAST CENTRAL IOWA COUNCIL OF GOVERNMENTS
Schedule of Findings
Year Ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-09 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-09 Travel Expense - No expenses of ECICOG money for travel expenses of spouses of ECICOG officials or employees were noted.
- IV-C-09 Business Transactions - No business transactions between ECICOG and ECICOG officials or employees were noted.
- IV-D-09 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-09 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-09 Board Minutes - No transactions were found that I believe should have been approved in the board minutes but were not.
- IV-G-09 Mileage Reimbursement - The Agency reimbursed mileage at a rate in excess of the Internal Revenue Service allowable rate. The Agency is not in compliance with Chapter 70A.9 of the Code of Iowa.
- Recommendation - The Agency should change its mileage reimbursement rate when the Internal Revenue Service mileage reimbursement rate is changed.
- Response - We will do this in the future.
- Conclusion - Response accepted.