

NORTH IOWA AREA COUNCIL OF GOVERNMENTS

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

JUNE 30, 2009

- Prepared By -

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NORTH IOWA AREA COUNCIL OF GOVERNMENTS

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>County</u>	<u>Term Expires</u>
Jay Urdahl	Member	Cerro Gordo	Indefinite
John Drury	Member	Cerro Gordo	Indefinite
David Vikturek	Executive Committee	Cerro Gordo	Indefinite
Arlin Enabnit	Chair	Floyd	Indefinite
James Erb	Vice-Chair	Floyd	Indefinite
J.R. Ackley	Member	Floyd	Indefinite
Corey Eberling	Member	Franklin	Indefinite
Shirley Brady	Member	Franklin	Indefinite
Kent Morton	Member	Franklin	Indefinite
Sis Greiman	Member	Hancock	Indefinite
Terry Johnson	Member	Hancock	Indefinite
Dale Reichardt	Member	Hancock	Indefinite
Don McGregor	Member	Kossuth	Indefinite
Teri Von Ruden	Member	Kossuth	Indefinite
Mitch Hauskins	Member	Kossuth	Indefinite
Stan Walk	Member	Mitchell	Indefinite
Steve Cooper	Member	Mitchell	Indefinite
Marilyn Johannis	Member	Mitchell	Indefinite
Mike Stensrud	Member	Winnebago	Indefinite
Jeff Steele	Member	Winnebago	Indefinite
Marilyn Hoffman	Member	Winnebago	Indefinite
Dennis May	Secretary	Worth	Indefinite
Richard Scholbrock	Member	Worth	Indefinite
Teresa Nicholson	Member	Worth	Indefinite
Ned Wicker	Treasurer	At-Large	Indefinite



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North Iowa Area Council of Governments
Mason City, IA 50401

I have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the North Iowa Area Council of Governments (NIACOG) as of and for the year ended June 30, 2009. These financial statements are the responsibility of NIACOG'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 NIACOG as of June 30, 2009, and the respective changes in financial position and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated January 8, 2010 on my consideration of NIACOG'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 required 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 Expenses 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, appearing to read "Lamy Pump".

January 8, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

North Iowa Area 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 NIACOG's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- NIACOG's support and revenues increased 39%, or \$1,281,697, from fiscal 2008 to fiscal 2009, due to flood grants administered during the year.
- NIACOG's operation expenses were 51%, or \$1,520,130 more in fiscal 2009 than in fiscal 2008, due mainly to increased costs associated with homeowner and business flood grant programs.
- NIACOG's net assets increased 4%, or \$172,066, from June 30, 2008 to June 30, 2009.

USING THIS ANNUAL REPORT

The North Iowa Area 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 NIACOG'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 NIACOG's financial activities.

The Statement of Net Assets presents information on NIACOG'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 NIACOG 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 NIACOG's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in NIACOG's cash and cash equivalents during the year. This information can assist the use of the report in determining how NIACOG 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 NIACOG's financial position. NIACOG's net assets for fiscal 2009 totaled approximately \$4,779,525. This compares to approximately \$4,607,459 at the end of fiscal 2008. A summary of NIACOG's net assets is presented below.

Net Assets		June 30,	
	2009	2008	
Current assets	\$1,507,578	\$1,126,815	
Non-current assets	6,244	25,502	
Capital assets at cost, less accumulated depreciation	<u>3,393,729</u>	<u>3,694,475</u>	
Total assets	<u>\$4,907,551</u>	<u>\$4,846,792</u>	
Current liabilities	\$ 75,818	\$ 187,125	
Long-term debt	52,208	52,208	
Total liabilities	<u>\$ 128,026</u>	<u>\$ 239,333</u>	
Net assets:			
Reserved	\$ 595,608	\$ 798,329	
Unreserved	<u>4,183,917</u>	<u>3,809,130</u>	
Total net assets	<u>\$4,779,525</u>	<u>\$4,607,459</u>	

Statement of Revenues, Expenses and Changes in Net Assets

Support and revenues are received from federal grants, state grants, and other local sources. Expenses are 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	\$2,969,373	\$1,724,938	
Program reimbursements and other local sources	<u>1,639,028</u>	<u>1,601,766</u>	
Total support and revenue	<u>\$4,608,401</u>	<u>\$3,326,704</u>	
Expenses	<u>4,492,969</u>	<u>2,972,839</u>	
Net transactions before other financing sources:			
Other financing sources	<u>56,634</u>	<u>30,904</u>	
Changes in net assets	\$ 172,066	\$ 384,769	
Net assets beginning of year	<u>4,607,459</u>	<u>4,222,690</u>	
Net assets end of year	<u>\$4,779,525</u>	<u>\$4,607,459</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 \$172,066, mainly due to the increase in cash and investments.
- NCRERC expenses for the year were \$114,190 and revenues were \$104,513. Future revenues and expenses will vary depending on incident response activity.
- State and Federal Transit Operating Assistance for the year totaled \$1,101,905. These same funding sources for the previous fiscal year totaled \$1,113,747. The decrease was in State Transit Assistance. Federal funding sources are projected to increase from fiscal year 2009 to fiscal year 2010, while state operating assistance is expected to decrease.

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, NIACOG had approximately \$3,393,729 invested in capital assets, net of accumulated depreciation of approximately \$3,156,315. Depreciation expense totaled \$487,076 for fiscal year 2009. More detailed information about NIACOG's capital assets is presented in Note 4 to the financial statements.

ECONOMIC FACTORS

In the upcoming year, NIACOG will continue to maximize efficiencies related to providing transit services for Region 2. Under the terms of their 28E agreement, NIACOG and the City of Mason City will continue to share in ongoing costs to operate and maintain the facility.

In the fall of 2008, NIACOG was selected to administer disaster assistance funds under the State and Federal Jumpstart programs for an expanded 22 county region. State and Federal grant revenue and related administrative expenses increased in 2009 as a result of these programs, with program activity expected to continue into fiscal year 2011.

CONTACTING NIACOG'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of NIACOG's finances and to show NIACOG's accountability for the money it receives. If you have questions about this report or need additional financial information, contact North Iowa Area Council of Governments, 525 6th Street SW, Mason City, IA 50401.

NORTH IOWA AREA COUNCIL OF GOVERNMENTS
STATEMENT OF NET ASSETS
JUNE 30, 2009

	<u>NIACOG</u>	<u>NCRERC</u>	<u>Total</u>
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 1,047,205	\$ 62,740	\$1,109,945
Accounts receivable	358,012	-	358,012
Prepaid expenses	7,094	-	7,094
Notes receivable	30,635	-	30,635
Other receivables	1,882	10	1,892
Total current assets	<u>\$ 1,444,828</u>	<u>\$ 62,750</u>	<u>\$1,507,578</u>
Non-current assets:			
Notes receivable	<u>\$ 6,244</u>	<u>\$ -</u>	<u>\$ 6,244</u>
Fixed assets:			
Land	\$ 157,711	\$ -	\$ 157,711
Building	2,437,700	-	2,437,700
Equipment	239,185	63,590	302,775
Vehicles - unrestricted	873,400	62,516	935,916
Vehicles - restricted	2,715,942	-	2,715,942
Total	<u>\$ 6,423,938</u>	<u>\$ 126,106</u>	<u>\$6,550,044</u>
Less accumulated depreciation	<u>(3,054,152)</u>	<u>(102,163)</u>	<u>(3,156,315)</u>
Net fixed assets	<u>\$ 3,369,786</u>	<u>\$ 23,943</u>	<u>\$3,393,729</u>
Total assets	<u>\$ 4,820,858</u>	<u>\$ 86,693</u>	<u>\$4,907,551</u>
LIABILITIES:			
Current liabilities:			
Trade accounts payable	\$ 26,781	\$ -	\$ 26,781
Cafeteria payable	275	-	275
Accrued benefits payable	48,762	-	48,762
Total current liabilities	<u>\$ 75,818</u>	<u>\$ -</u>	<u>\$ 75,818</u>
Long-term debt:			
Revolving loan (Note 6)	\$ 52,208	\$ -	\$ 52,208
Total liabilities	<u>\$ 128,026</u>	<u>\$ -</u>	<u>\$ 128,026</u>
NET ASSETS:			
Reserved (Note 2)	\$ 595,608	\$ -	\$ 595,608
Unreserved	4,097,224	86,693	4,183,917
Total net assets	<u>\$ 4,692,832</u>	<u>\$ 86,693</u>	<u>\$4,779,525</u>

See Notes to Financial Statements.

NORTH IOWA AREA COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2009

	<u>NIACOG</u>	<u>NCRERC</u>	<u>Total</u>
REVENUES:			
Federal funds	\$1,088,393	\$ 10,546	\$1,098,939
State funds	1,870,434	-	1,870,434
Local funds:			
Program reimbursements	1,531,646	92,996	1,624,642
Interest	10,672	971	11,643
Other revenue	2,743	-	2,743
Total	<u>\$4,503,888</u>	<u>\$ 104,513</u>	<u>\$4,608,401</u>
EXPENSES:			
Salaries	\$ 765,212	\$ -	\$ 765,212
Employee benefits	230,833	-	230,833
Contracted services	108,838	53,064	161,902
Telephone	4,977	-	4,977
Printing	10,591	-	10,591
Supplies	22,466	-	22,466
Travel	18,419	-	18,419
Postage	4,567	-	4,567
Conferences	2,786	705	3,491
Dues and memberships	10,670	100	10,770
Professional fees	8,270	796	9,066
Miscellaneous	5,984	1,010	6,994
Insurance	59,143	6,727	65,870
Repairs and maintenance	8,024	-	8,024
Utilities	30,496	-	30,496
Equipment	-	18,773	18,773
Depreciation	471,240	15,836	487,076
Transit provider payments	1,021,695	-	1,021,695
Program awards	1,375,364	-	1,375,364
Services	2,217	-	2,217
Training	-	15,818	15,818
Fuels and lubricants	85,767	-	85,767
Materials and supplies	131,220	-	131,220
Physicals	-	1,361	1,361
Total	<u>\$4,378,779</u>	<u>\$ 114,190</u>	<u>\$4,492,969</u>
Net transactions before other financing sources	\$ 125,109	\$ (9,677)	\$ 115,432
Other financing sources:			
Gain on sale of fixed assets	<u>56,634</u>	<u>-</u>	<u>56,634</u>
Change in net assets	\$ 181,743	\$ (9,677)	\$ 172,066
Net assets beginning of year	<u>4,511,089</u>	<u>96,370</u>	<u>4,607,459</u>
Net assets end of year	<u>\$4,692,832</u>	<u>\$ 86,693</u>	<u>\$4,779,525</u>

See Notes to Financial Statements.

**NORTH IOWA AREA COUNCIL OF GOVERNMENTS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2009**

	<u>NIACOG</u>	<u>NCRERC</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from federal operating grants	\$ 918,817	\$ 10,546	\$ 929,363
Cash received from state operating grants	1,851,038	-	1,851,038
Cash received from program reimbursements	1,473,506	93,065	1,566,571
Cash received from miscellaneous revenue	2,743	-	2,743
Cash paid for salaries and benefits	(758,193)	-	(758,193)
Cash paid for other suppliers of goods and services	(3,222,743)	(98,353)	(3,321,096)
Net cash provided (used) by operating activities	<u>\$ 265,168</u>	<u>\$ 5,258</u>	<u>\$ 270,426</u>
Cash flows from capital and related financing activities:			
Net acquisition of fixed assets	\$ (203,100)	\$ (9,466)	\$ (212,566)
Cash received from asset sales	81,232	-	81,232
Cash received from federal capital grants	110,365	-	110,365
Cash used to repay short-term debt	(52,208)	-	(52,208)
Net cash used for capital and related financing activities	<u>\$ (63,711)</u>	<u>\$ (9,466)</u>	<u>\$ (73,177)</u>
Cash flows from investing activities:			
Interest received	\$ 10,950	\$ 971	\$ 11,921
Cash received from notes	14,561	-	14,561
Net cash provided by investing activities	<u>\$ 25,511</u>	<u>\$ 971</u>	<u>\$ 26,482</u>
Net increase (decrease) in cash	\$ 226,968	\$ (3,237)	\$ 223,731
Cash and cash equivalents beginning of year	<u>820,237</u>	<u>65,977</u>	<u>886,214</u>
Cash and cash equivalents end of year	<u>\$ 1,047,205</u>	<u>\$ 62,740</u>	<u>\$1,109,945</u>
Reconciliation of net transactions to net cash provided (used) by operating activities:			
Net transactions	\$ 181,743	\$ (9,677)	\$ 172,066
Adjustments for long-term non-cash items:			
Depreciation	471,240	15,836	487,076
Gain on sale of assets	56,634	-	56,634
Revenues and expenses not classified as operating	(232,667)	(971)	(233,638)
Changes in assets and liabilities:			
(Increase) in prepaid insurance	(353)	-	(353)
(Increase) decrease in accounts receivable	(136,747)	70	(136,677)
(Increase) in other receivables	(15,583)	-	(15,583)
(Decrease) in accounts payable	(31,768)	-	(31,768)
(Decrease) in payroll taxes	(3,373)	-	(3,373)
Increase in accrued benefits payable	10,392	-	10,392
(Decrease) in unearned revenue	(34,350)	-	(34,350)
Net cash provided by operating activities	<u>\$ 265,168</u>	<u>\$ 5,258</u>	<u>\$ 270,426</u>

See Notes to Financial Statements.

NORTH IOWA AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(1) Organization

The North Iowa Area Council of Governments (NIACOG) 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 2 which includes Cerro Gordo, Floyd, Hancock, Worth, Kossuth, Mitchell, Franklin, and Winnebago counties. NIACOG's powers and duties are those authorized by Chapter 28H of the State of Iowa (Councils of Governments). NIACOG 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. NIACOG also provides transportation services to the elderly, disabled and rural areas through the Region Two Transit System. In performing its duties, NIACOG 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, NIACOG 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 NIACOG are such that exclusion would cause NIACOG'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 NIACOG 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 NIACOG. NIACOG has one component unit which meets the Governmental Accounting Standards Board criteria. The North Central Regional Emergency Response Commission (NCRERC) is a committee established under a 28E agreement with NIACOG. Its purpose is to implement joint and cooperative action in training and response activities of hazardous materials for Region 2.

(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 NIACOG 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.

NORTH IOWA AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(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.

NIACOG 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.

NIACOG 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 NIACOG'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.

Investments - Investments are stated at cost which approximates market.

Notes Receivable - This account is utilized to record revolving loan funds loaned to eligible homeowners.

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 NIACOG 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>
Land	\$1,000
Building	1,000
Equipment	1,000
Vehicles	1,000

NORTH IOWA AREA COUNCIL OF GOVERNMENTS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2009

(2) Summary of Significant Accounting Policies - continued

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

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Building	15-40
Equipment	5-10
Vehicles	5

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 Pooled Investments

NIACOG'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.

NIACOG 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.

NIACOG and NCRERC had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$245,272 and \$45,740, respectfully, pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk - NIACOG'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) in 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 NIACOG.

Credit risk - NIACOG'S investment in the Iowa Public Agency Investment Trust is unrated.

NORTH IOWA AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(4) **Capital Assets**

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

<u>NIACOG</u>	Balance Beginning of Year	<u>Additions</u>	<u>Deletions</u>	Balance End of Year
Land	\$ 157,711	\$ -	\$ -	\$ 157,711
Building	2,437,700	-	-	2,437,700
Equipment	233,932	5,253	-	239,185
Vehicles	<u>3,707,647</u>	<u>197,847</u>	<u>316,152</u>	<u>3,589,342</u>
Total	<u>\$6,536,990</u>	<u>\$ 203,100</u>	<u>\$316,152</u>	<u>\$6,423,938</u>

<u>NCRERC</u>	Balance Beginning of Year	<u>Additions</u>	<u>Deletions</u>	Balance End of Year
Equipment	\$ 54,124	\$ 9,466	\$ -	\$ 63,590
Vehicles	<u>62,516</u>	<u>-</u>	<u>-</u>	<u>62,516</u>
Total	<u>\$ 116,640</u>	<u>\$ 9,466</u>	<u>\$ -</u>	<u>\$ 126,106</u>

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

<u>NIACOG</u>	Balance Beginning of Year	<u>Additions</u>	<u>Deletions</u>	Balance End of Year
Building	\$ 160,887	\$ 61,053	\$ -	\$ 221,940
Equipment	75,409	18,257	-	93,666
Vehicles	<u>2,636,532</u>	<u>391,930</u>	<u>289,916</u>	<u>2,738,546</u>
Total	<u>\$2,872,828</u>	<u>\$ 471,240</u>	<u>\$289,916</u>	<u>\$3,054,152</u>

<u>NCRERC</u>	Balance Beginning of Year	<u>Additions</u>	<u>Deletions</u>	Balance End of Year
Equipment	\$ 40,482	\$ 3,333	\$ -	\$ 43,815
Vehicles	<u>45,845</u>	<u>12,503</u>	<u>-</u>	<u>58,348</u>
Total	<u>\$ 86,327</u>	<u>\$ 15,836</u>	<u>\$ -</u>	<u>\$ 102,163</u>

(5) **Pension and Retirement Benefits**

NIACOG 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 NIACOG is required to contribute 6.35% of covered salary. Contribution requirements are established by state statute. NIACOG's contribution to IPERS for the year ended June 30, 2009 was \$48,133, which was equal to the required contribution for the year.

NORTH IOWA AREA COUNCIL OF GOVERNMENTS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2009

(6) **Revolving Loan**

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

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>
2010	<u>\$ 52,208</u>	<u>\$ -</u>

(7) **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 \$250,000 at 4% interest.

There was no line of credit activity for the year ended June 30, 2009.

(8) **Related Party Transactions**

The Agency had business transactions between the Agency and Agency officials totaling \$6,280 during the year ended June 30, 2009.

(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 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.

NORTH IOWA AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(9) Risk Management - continued

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 \$114,810.

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.

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.

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

	<u>STA Operating Assistance</u>	<u>STA TTF</u>	<u>COG Assistance 2008-COG-01</u>	<u>Jumpstart Housing JHAP#09-05</u>
Operating Expenses:				
Personal Services	\$ -	\$ -	\$ -	\$ -
Contractual Services	400,105	2,435	9,412	987,282
Commodities	-	-	-	-
Capital Outlay	-	-	-	-
Prior Year	-	3,344	-	-
Project Cost	<u>\$ 400,105</u>	<u>\$ 5,779</u>	<u>\$ 9,412</u>	<u>\$ 987,282</u>
Grant Participation in Project Cost	<u>100%</u>	<u>80/50%</u>	<u>100%</u>	<u>100%</u>
Percentage Participation	<u>\$ 400,105</u>	<u>\$ 3,882</u>	<u>\$ 9,412</u>	<u>\$ 987,282</u>
Contract Amount	<u>\$ 401,647</u>	<u>\$ 3,882</u>	<u>\$ 9,412</u>	<u>\$1,028,553</u>
Permissible Grant (Lesser of Contract Amount or Percentage Participation)	\$ 400,105	\$ 3,882	\$ 9,412	\$ 987,282
Less: Grant Payments received in current year	(400,105)	(894)	(9,412)	(1,028,553)
Less: Grant Payments received in prior year	-	(1,939)	-	-
Grant Receivable/(Payable) at June 30, 2009	<u>\$ -</u>	<u>\$ 1,049</u>	<u>\$ -</u>	<u>\$ (41,271)</u>

(continued)

<u>Jumpstart 2 Housing JHAP#09-05</u>	<u>Jumpstart Sm Business 09-JMPST-07</u>	<u>Section 4 Capital 04-0113- 020-07</u>	<u>Section 4 Capital 04-0113- 020-08</u>	<u>Section 18 OP Deficit 18-0028- 020-09</u>	<u>FTA-JOB Access Rev Commute 37-X008 020-02</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
146,072	248,654	-	-	1,403,600	20,372
-	-	-	-	-	-
-	-	4,353	128,618	-	-
-	-	121,468	-	-	118,967
<u>\$ 146,072</u>	<u>\$ 248,654</u>	<u>\$ 125,821</u>	<u>\$ 128,618</u>	<u>\$1,403,600</u>	<u>\$139,339</u>
100%	100%	83%	83%	50%	50%
<u>\$ 146,072</u>	<u>\$ 248,654</u>	<u>\$ 104,431</u>	<u>\$ 106,752</u>	<u>\$ 701,800</u>	<u>\$ 69,635</u>
<u>\$ 163,420</u>	<u>\$ 248,654</u>	<u>\$ 109,560</u>	<u>\$ 175,130</u>	<u>\$ 701,800</u>	<u>\$ 83,060</u>
\$ 146,072	\$ 248,654	\$ 104,431	\$ 106,752	\$ 701,800	\$ 69,635
(163,420)	(248,654)	(3,613)	(106,752)	(646,870)	(10,186)
-	-	(100,818)	-	-	(59,449)
<u>\$ (17,348)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,930</u>	<u>\$ -</u>

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

	FTA-JOB Access			EDA	EDA
	<u>Rev Commute</u>			05-83-	05-69-
	37-X016-	08-RPA-02	09-RPA-02	04432	04685
	<u>020-09</u>				
Operating Expenses:					
Personal Services	\$ -	\$ -	\$ -	\$ -	\$ -
Contractual Services	26,500	-	112,624	141,176	53,682
Commodities	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Prior Year	-	120,727	-	-	-
Project Cost	<u>\$ 26,500</u>	<u>\$ 120,727</u>	<u>\$ 112,624</u>	<u>\$ 141,176</u>	<u>\$ 53,682</u>
Grant Participation in Project Cost	<u>50%</u>	<u>80%</u>	<u>80%</u>	<u>50%</u>	<u>100%</u>
Percentage Participation	<u>\$ 13,250</u>	<u>\$ 96,582</u>	<u>\$ 90,099</u>	<u>\$ 70,588</u>	<u>\$ 53,682</u>
Contract Amount	<u>\$ 13,250</u>	<u>\$ 96,582</u>	<u>\$ 103,028</u>	<u>\$ 51,000</u>	<u>\$ 139,175</u>
Permissible Grant (Lesser of Contract Amount or Percentage Participation)	\$ 13,250	\$ 96,582	\$ 90,099	\$ 51,000	\$ 53,682
Less: Grant Payments received in current year	(11,284)	(22,370)	(65,414)	(51,000)	(53,682)
Less: Grant Payments received in prior year	-	(74,212)	-	-	-
Grant Receivable/(Payable) at June 30, 2009	<u>\$ 1,966</u>	<u>\$ -</u>	<u>\$ 24,685</u>	<u>\$ -</u>	<u>\$ -</u>

<u>CDBG 08-DRH-002</u>	<u>HAZMAT HMEP</u>	<u>Total</u>
\$ -	\$ -	\$ -
58,011	10,546	3,620,471
-	-	-
-	-	132,971
-	1,850	366,356
<u>\$ 58,011</u>	<u>\$ 12,396</u>	<u>\$4,119,798</u>
100%	100%	
<u>\$ 58,011</u>	<u>\$ 12,396</u>	<u>\$3,172,633</u>
<u>\$1,914,633</u>	<u>\$ 28,871</u>	<u>\$5,271,657</u>
\$ 58,011	\$ 12,396	\$3,153,045
(58,011)	(10,546)	(2,890,766)
-	(1,850)	(238,268)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,011</u>

See Accompanying Independent Auditor's Report.

NORTH IOWA AREA 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	05-83-04432	\$ 51,000
Economic Adjustment Disaster Recovery	11.307	05-69-04685	53,682
Total Direct Awards			<u>\$ 104,682</u>
Indirect:			
Department of Transportation:			
Iowa Department of Transportation:			
Capital Investment Assistance Project	20.500	04-0113-020-07	\$ 3,613
Section 3	20.500	04-0113-020-08	106,752
			<u>\$ 110,365</u>
Non-Urban Capital Assistance Project			
Section 18	20.509	18-0028-020-09	\$ 701,800
	20.509	09-RPA-02	24,499
			<u>\$ 726,299</u>
Job Access/Reverse Commute	20.516	37-X008-020-02	\$ 10,186
	20.516	37-X016-020-09	13,250
			<u>\$ 23,436</u>
Urban Mass Transportation Technical Studies Grants:			
FHWA STP/FTA Section 18	20.205	09-RPA-02	\$ 65,600
Homeland Security and Emergency Management:			
Hazardous Material Public Sector Training	20.703	HMEP	\$ 10,546
Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Cerro Gordo County:			
Community Development Block Grant Program	14.228	08-DRH-002	\$ 58,011
Total			<u>\$1,098,939</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
North Iowa Area Council of Governments:

I have audited the basic financial statements of the North Iowa Area Council of Governments (NIACOG) as of and for the year ended June 30, 2009 and have issued my report thereon dated January 8, 2010. 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 NIACOG'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 NIACOG's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of NIACOG'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, including a material weakness.

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 NIACOG's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of NIACOG's financial statements that is more than inconsequential will not be prevented or detected by NIACOG'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 NIACOG'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, of the significant deficiencies described above, I believe item II-A-09, is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NIACOG'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 non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about NIACOG'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 NIACOG. 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.

NIACOG's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on NIACOG's responses, I did not audit NIACOG'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 North Iowa Area 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 NIACOG 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.



January 8, 2010



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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
North Iowa Area Council of Governments:

Compliance

I have audited the compliance of North Iowa Area Council of Governments (NIACOG), with the types of compliance requirements described in 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, 2009. NIACOG'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 NIACOG's management. My responsibility is to express an opinion on NIACOG'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 non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about NIACOG'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 NIACOG's compliance with those requirements.

In my opinion, NIACOG 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, 2009.

Internal Control Over Compliance

The management of NIACOG 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 NIACOG'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 NIACOG'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 NIACOG'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 NIACOG'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 NIACOG'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 NIACOG'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 NIACOG'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.

NIACOG's response to the finding identified in my audit is described in the accompanying Schedule of Findings. While I have expressed my conclusion on NIACOG's response, I did not audit NIACOG'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 NIACOG and other parties to whom NIACOG 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.



January 8, 2010

NORTH IOWA AREA 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 a material weakness.
- (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 Capital Assistance Project.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) NIACOG 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 receipts listing, payroll and bank reconciliations are all done by the same individual.

Recommendation - I realize segregation of duties is difficult with a limited number of office employees. However, NIACOG 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. NIACOG 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.

NORTH IOWA AREA COUNCIL OF GOVERNMENTS
Schedule of Findings
Year Ended June 30, 2009

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

II-B-09 Approval of Expenses - I noted that automatic fund transfer payments made from an Agency savings account are not formally approved by the Board, or included in the published listing of invoices paid.

Recommendation - All Agency invoices should be made available to the Board for approval prior to payment.

Response - We will include these payments with the listing of invoices for Board approval.

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 Capital 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 expenses, including those related to Federal Programs. See audit finding II-A-09.

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 NIACOG money for travel expenses of spouses of NIACOG officials or employees were noted.

IV-C-09 Business Transactions - Business transactions between NIACOG and NIACOG officials or employees are detailed as follows:

<u>Name, Title and Business connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Rick Wyborny, Spouse of Employee, Owner of Wyb Tek Services	Services	\$6,280

These transactions may represent a conflict of interest.

NORTH IOWA AREA COUNCIL OF GOVERNMENTS
Schedule of Findings
Year Ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting: - continued

Recommendation - The Agency should consult legal counsel to determine the disposition of this matter.

Response - We will do this.

Conclusion - Response accepted.

- IV-D-09 Bond Coverage - Surety bond coverage of NIACOG 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 the NIACOG's investment policy were noted.
- IV-F-09 Board Minutes - Except as previously mentioned in comment II-B-09, approval of certain invoices, no transactions were found that I believe should have been approved in the Board minutes but were not.