

FINANCIAL STATEMENTS
SOUTHERN IOWA COUNCIL OF
GOVERNMENTS AND AFFILIATE
CRESTON, IOWA

September 30, 2008

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying combined statement of financial position of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. as of September 30, 2008, and the related combined statements of activities and cash flows for the year then ended. These combined financial statements are the responsibility of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s management. My responsibility is to express an opinion on these combined financial statements based on my audit.

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

In my opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. as of September 30, 2008, and the results of their operations, changes in their net assets and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued a report dated May 22, 2009 on my consideration of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s internal control over financial reporting and my tests of compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

My audit was performed for the purpose of forming an opinion on the combined financial statements of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. taken as a whole. The supplemental information identified in the table of contents pages 11 - 22, including the schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Ted Willett CPA
Creston, Iowa
May 22, 2009

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
 COMBINED STATEMENT OF FINANCIAL POSITION
 September 30, 2008

ASSETS

CURRENT ASSETS		
Cash		\$ 1,241,124
Investment		8,506
Accounts receivable		95,051
Grants receivable		25,000
Prepaid expense		998
Current portion of long term loans receivable		<u>171,345</u>
Total current assets		<u>1,542,024</u>
LONG TERM RECEIVABLE - RLF Loans (net of allowance of \$14,835)		1,206,701
Less current portion		<u>171,345</u>
Total long term receivable		<u>1,035,356</u>
PROPERTY AND EQUIPMENT - at cost		
Building and equipment		117,852
Less accumulated depreciation		<u>(55,874)</u>
Total property and equipment		<u>61,978</u>
Total assets		<u>\$ 2,639,358</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Current portion of long-term debt		\$ 4,092
Notes payable		12,615
Accounts payable		1,923
Accrued expenses		<u>24,926</u>
Total current liabilities		<u>43,556</u>
LONG TERM LIABILITIES		
Long-term debt net of current portion		4,889
Payable to EDSA		<u>31,228</u>
Total long term liabilities		<u>36,117</u>
Total liabilities		<u>79,673</u>
NET ASSETS		
Unrestricted		
Undesignated general fund	744,140	
Designated for RFL Administration	<u>5,533</u>	749,673
Temporarily restricted		
Grant fund balances	1,520,596	
Other	<u>289,416</u>	<u>1,810,012</u>
Total fund balance		<u>2,559,685</u>
Total liabilities and fund balances		<u>\$ 2,639,358</u>

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

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
 COMBINED STATEMENT OF ACTIVITY
 September 30, 2008

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT:			
Federal funds	\$ ---	\$ 341,619	\$ 341,619
State grants	---	298,240	298,240
Other grants	---	47,805	47,805
Local funds	129,952	---	129,952
Local in-kind	---	3,540	3,540
Interest income	62,237	---	62,237
Service income	167,465	---	167,465
Miscellaneous	32,550	---	32,550
Net assets released from restrictions	<u>413,303</u>	<u>(413,303)</u>	<u>---</u>
Total revenue and support	<u>805,507</u>	<u>277,901</u>	<u>1,083,408</u>
EXPENSES:			
Salary	253,516	---	253,516
Employee fringe	42,647	---	42,647
Health insurance	16,986	---	16,986
Accounting/consulting/legal	9,687	---	9,687
Depreciation	6,683	---	6,683
Bad debts	13,493	---	13,493
Consumable supplies	10,853	---	10,853
Dues and subscriptions	1,682	---	1,682
Repairs and maintenance	3,229	---	3,229
Insurance	8,201	---	8,201
Miscellaneous	7,881	---	7,881
Postage	2,661	---	2,661
Printing and publicity	8,053	---	8,053
Utilities	9,315	---	9,315
Telephone	3,397	---	3,397
Interest	3,635	---	3,635
Housing rehab	249,302	---	249,302
Emergency repairs	58,316	---	58,316
Housing trust	48,625	---	48,625
Travel & Meetings	13,949	---	13,949
In-kind	<u>3,540</u>	<u>---</u>	<u>3,540</u>
Total expenses	<u>775,651</u>	<u>---</u>	<u>775,651</u>
EXCESS OF REVENUE AND SUPPORT OVER EXPENSES	29,856	277,901	307,757
GAIN ON STOCK	---	8,081	8,081
NET ASSETS - Beginning of year	<u>719,817</u>	<u>1,524,030</u>	<u>2,243,847</u>
NET ASSETS - End of year	<u>\$ 749,673</u>	<u>\$1,810,012</u>	<u>\$ 2,559,685</u>

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

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
 COMBINED STATEMENT OF CASH FLOWS
 September 30, 2008

Operating activities:	
Excess of revenue and support over expenses and stock gain	\$ 315,838
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	6,683
Decrease in accounts receivable	42,409
Decrease in grants receivable	33,107
Decrease in prepaid expense	125
Increase in allowance for doubtful notes	3,831
(Decrease) in notes payable	(60,156)
(Decrease) in housing trust	(97,379)
(Decrease) in accounts payable	(2,756)
(Decrease) in accrued expenses	<u>(254)</u>
Net cash provided from operating activities	<u>241,448</u>
Investing activities:	
RFL loans made	(316,498)
Gain on stock	(8,081)
RFL loans payments received	<u>197,709</u>
Net cash (used) for investing activities	<u>(126,870)</u>
Financing activities:	
Capital purchases	(6,198)
Payments on long-term debt	<u>(3,835)</u>
Net cash provided from financing activities	<u>(10,033)</u>
Net increase in cash and cash equivalents	104,545
Cash and cash equivalents as of the beginning of year	<u>1,136,579</u>
Cash and cash equivalents as of end of year	<u>\$ 1,241,124</u>

Supplemental disclosures of cash flow information:

Cash paid for interest \$ 3,635

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

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

Note 1. Significant Accounting Policies

Entities:

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

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

Combined Statements:

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

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

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

Note 1. Significant Accounting Policies (continued)

Basis of reporting:

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

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

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

Local in-kind revenue and in-kind expenses represent the donation of goods and services to the Agency. These items are valued at cost, if known, or at estimated value. Goods and services include travel. Total in-kind revenue and expenses were \$ 3,540 for the year ended September 30, 2008.

Financial Statements Presentation:

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

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

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

Permanently restricted assets are assets which the Organizations are not allowed to use in their operations and must always be held by the Organizations. At September 30, 2008 the Organizations did not have any permanently restricted net assets.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

Note 1. Significant Accounting Policies (continued)

Estimates

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

Cash and Cash Equivalents

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

Property and Equipment

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

Note 2. Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their covered salary and the Southern Iowa Council of Governments is required to contribute 6.35% of annual covered payroll except for law enforcement employees, in which case the percentages are 7.52% and 7.52%, respectively; and police employees, in which case the percentages are 5.64% and 8.47% respectively. Contribution requirements are established by State statute. Southern Iowa Council of Governments' contribution to IPERS for the years ended September 30, 2008, 2007, and 2006 \$ 16,098, \$ 14,598 and \$ 14,315 respectively, equal to the required contributions for each year.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

Note 3. Compensated Absences

Employees of Southern Iowa Council of Governments accumulate a limited amount of earned but unused annual leave. Amounts representing unused annual leave are recorded as a liability computed on current rates of pay. The amount at September 30, 2008 was \$ 9,301.

Note 4. RLF Loan Receivable

The Southern Iowa Development Group, Inc. (SIDG) entered into an agreement with Southern Iowa Council of Governments (SICOG) to serve as a subgrantee for Revolving Loan Fund (RLF) grant SICOG obtained from the Economic Development Administration (EDA) July 13, 1987. The loans are to be repaid in monthly installments at the rate of 4%-6% per annum. EDA may terminate any grant in whole, or in part, at any time before the date of completion, whenever it is determined that the grantee has failed to comply with the conditions of the grant. The Federal EDA money in the Revolving Fund at September 30, 2008, amounted to \$ 736,055. Whenever EDA terminates any RLF grant for cause, it has the right to recover residual funds and assets of the RLF grant in accordance with the legal rights of the parties.

As of September 30, 2008, the EDA RLF loan receivable balance was \$ 912,255.

Note 5. Allocation of Expenses

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

Note 6. Assets Acquired with Federal Funds

Nonexpendable personal property with a unit acquisition cost of \$1,000 or more acquired with federal funds must be disposed of in accordance with federal regulations. The agency may retain the property for other uses provided that compensation is made to the original federal agency or successor by applying the federal participation in the cost of the original project multiplied by the current fair market value of the property. If the grantee has no need for the property and the property has further use value, the grantee shall request disposition instructions from the original grantor agency. At September 30, 2008, SICOG has \$ 41,907 of assets with a unit acquisition cost of \$1,000 or more acquired with federal funds. The amount of federal participation is \$ 31,158 or 74.35% of the unit acquisition costs.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2008

Note 7. Payable to EDSA

The long term debt is payable to a municipality which has received an Economic Department Set Aside (EDSA) grant to be used in a revolving loan fund. The municipality has requested Southern Iowa Council of Governments and Affiliate to assist in management of the fund. The funds are then to be used to meet the required local match portion of a loan or loans which will benefit the municipal community. At September 30, 2008, \$31,228 was loaned to entities for the purpose of creating jobs in the municipal area which had received the EDSA grant.

Note 8. Long-Term Debt

Long-term debt at September 30, 2008 consisted of the following:

Mortgage payable to the bank, 6.25% due \$ 378
 monthly including interest through December 2010
 secured by a mortgage. \$ 8,981

Less current portion 4,092
\$ 4,889

Maturities of long-term debt are as follows:

Year ended September 30	Amount
2009	4,092
2010	4,356
2011	533

Note 9. Deposits

Southern Iowa Council of Governments deposits at September 30, 2008 were entirely covered by Federal depository insurance or by the state sinking fund in accordance with Chapter 12 of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Note 10. Intercompany Transaction

At September 30, 2008 Southern Iowa Development Group owed Southern Iowa Council of Governments \$ 68,080 for the administration of the revolving loan programs. This was eliminated for the consolidated financial statements.

SUPPLEMENTAL INFORMATION

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
 COMBINED STATEMENT OF FINANCIAL POSITION - BY FUND TYPE
 September 30, 2008

	<u>Revolving Loan Funds</u>	<u>EDA Assistance Grants</u>	<u>General Funds</u>	<u>Total</u>
ASSETS				
CURRENT ASSET				
Cash	\$ 324,387	\$ (22,086)	\$ 938,823	\$ 1,241,124
Investments	8,506	---	---	8,506
Accounts receivable	---	---	95,051	95,051
Grants receivable	---	25,000	---	25,000
Prepaid expenses	---	---	998	998
Current portion of long term loans receivable	<u>171,345</u>	<u>---</u>	<u>---</u>	<u>171,345</u>
Total current assets	<u>504,238</u>	<u>2,914</u>	<u>1,034,872</u>	<u>1,542,024</u>
LONG TERM RECEIVABLE - RLF Loans	1,206,701	---	---	1,206,701
Less current portion	<u>171,345</u>	<u>---</u>	<u>---</u>	<u>171,345</u>
Total long term receivable	<u>1,035,356</u>	<u>---</u>	<u>---</u>	<u>1,035,356</u>
PROPERTY AND EQUIPMENT - at cost				
Buildings and equipment	---	43,747	74,105	117,852
Less accumulated depreciation	<u>---</u>	<u>34,431</u>	<u>21,443</u>	<u>55,874</u>
Total property and equipment	<u>---</u>	<u>9,316</u>	<u>52,662</u>	<u>61,978</u>
Total assets	<u>\$ 1,539,594</u>	<u>\$ 12,230</u>	<u>\$1,087,534</u>	<u>\$ 2,639,358</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Current portion of long term debt	\$ ---	\$ ---	\$ 4,092	\$ 4,092
Notes payable	---	---	12,615	12,615
Accounts payable	---	---	1,923	1,923
Accrued expenses	<u>---</u>	<u>---</u>	<u>24,926</u>	<u>24,926</u>
Total current liabilities	<u>---</u>	<u>---</u>	<u>43,556</u>	<u>43,556</u>
LONG TERM LIABILITIES				
Long term debt less current portion	---	---	4,889	4,889
Payable to EDSA	<u>31,228</u>	<u>---</u>	<u>---</u>	<u>31,228</u>
Total long term liabilities	<u>31,228</u>	<u>---</u>	<u>4,889</u>	<u>36,117</u>
Total liabilities	<u>31,228</u>	<u>---</u>	<u>48,445</u>	<u>79,673</u>
NET ASSETS				
Unrestricted				
Undesignated general fund	---	---	749,673	749,673
Temporarily restricted				
Grant fund balances	<u>1,508,366</u>	<u>12,230</u>	<u>289,416</u>	<u>1,810,012</u>
Total net assets	<u>1,508,366</u>	<u>12,230</u>	<u>1,039,089</u>	<u>2,559,685</u>
Total liabilities and net assets	<u>\$ 1,539,594</u>	<u>\$ 12,230</u>	<u>\$1,087,534</u>	<u>\$ 2,639,358</u>

See accompanying independent auditor's report.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
 COMBINED STATEMENT OF ACTIVITY
 Year Ended September 30, 2008

	Revolving Loan Funds	EDA Assistance Grants	General Funds	Total
REVENUE AND SUPPORT:				
Federal funds	\$ ---	\$ 51,500	\$ 290,119	\$ 341,619
State grant	---	---	298,240	298,240
Other grants	---	---	47,805	47,805
Local funds	---	34,852	95,100	129,952
Local in-kind	---	3,540	---	3,540
Interest income	60,636	---	1,601	62,237
Service income	---	---	167,465	167,465
Miscellaneous	13,344	---	19,206	32,550
Total revenue and support	73,980	89,892	919,536	1,083,408
EXPENSES:				
Salary	41,055	61,067	151,394	253,516
Employee fringe	4,963	8,377	29,307	42,647
Health ins	2,314	4,279	10,393	16,986
Housing rehab	---	---	249,302	249,302
Emergency repairs	---	---	58,316	58,316
Housing trust	---	---	48,625	48,625
Accounting/consulting/legal	3,536	1,177	4,974	9,687
Depreciation	---	---	6,683	6,683
Bad Debts	13,493	---	---	13,493
Consumable supplies	1,409	2,864	6,580	10,853
Dues and subscriptions	56	1,432	194	1,682
Repairs and maintenance	371	1,807	1,051	3,229
Insurance	1,141	1,908	5,152	8,201
Miscellaneous	---	186	7,695	7,881
Postage	466	1,657	538	2,661
Printing and publicity	716	2,530	4,807	8,053
Utilities	1,408	2,197	5,710	9,315
Telephone	197	1,680	1,520	3,397
Interest	150	190	3,295	3,635
In kind	---	3,540	---	3,540
Travel & meetings	3,543	5,678	4,728	13,949
Total expenses	74,818	100,569	600,264	775,651
EXCESS (DEFICIENCY) OF REVENUE AND SUPPORT OVER EXPENSES	(838)	(10,677)	319,272	307,757
GAIN ON STOCK	8,081	---	---	8,081
FUND BALANCES - Beginning of year	1,501,123	22,907	719,817	2,243,847
FUND BALANCES - End of year	\$ 1,508,366	\$ 12,230	\$ 1,039,089	\$ 2,559,685

See accompanying independent auditor's report.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
 COMBINED STATEMENT OF ACTIVITY
 REVOLVING LOAN FUNDS
 Year Ended September 30, 2008

	<u>Housing RLF</u>	<u>Farmers Home Administration RLF</u>	<u>Economic Development Administration RLF</u>
REVENUE AND SUPPORT:			
Interest income	\$ 11,230	\$ 3,846	\$ 45,176
Loan origination fees	9,115	---	3,700
Other	<u>529</u>	<u>---</u>	<u>---</u>
Total revenue and support	<u>20,874</u>	<u>3,846</u>	<u>48,876</u>
EXPENSES:			
Salary	17,636	772	22,647
Employee fringe	2,752	102	2,109
Health insurance	1,323	48	943
Accounting/consulting/legal	2,001	575	960
Consumable supplies	856	137	416
Dues & subscriptions	14	---	42
Bad Debts	13,493	---	---
Insurance	623	23	495
Postage	343	3	120
Printing and publicity	527	---	189
Utilities	810	27	571
Telephone	106	3	88
Interest	104	2	44
Repairs	166	---	205
Travel & meetings	<u>151</u>	<u>---</u>	<u>3,392</u>
Total expenses	<u>40,905</u>	<u>1,692</u>	<u>32,221</u>
EXCESS (DEFICIENCY) OF REVENUE AND SUPPORT OVER EXPENSES	(20,031)	2,154	16,655
Gain on stock	---	---	8,081
FUND BALANCES - Beginning of year	<u>503,764</u>	<u>122,945</u>	<u>881,165</u>
FUND BALANCES - End of year	<u>\$ 483,733</u>	<u>\$ 125,099</u>	<u>\$ 905,901</u>

Economic Development Set Aside RLF	Total Revolving Loan Funds (RLF)
\$ 384	\$ 60,636
---	12,815
---	529
<u>384</u>	<u>73,980</u>
---	41,055
---	4,963
---	2,314
---	3,536
---	1,409
---	56
---	13,493
---	1,141
---	466
---	716
---	1,408
---	197
---	150
---	371
---	<u>3,543</u>
---	<u>74,818</u>
384	(838)
---	8,081
<u>(6,751)</u>	<u>1,501,123</u>
<u>\$ (6,367)</u>	<u>\$ 1,508,366</u>

See accompanying independent auditor's report.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
 COMBINED STATEMENT OF ACTIVITY
 EDA ASSISTANCE GRANTS
 Year Ended September 30, 2008

	<u>Grant No. 05-</u> <u>83-04402-01</u>	<u>Grant No. 05-</u> <u>83-04402</u>	<u>Total</u>
REVENUE AND SUPPORT:			
Federal funds	\$ 25,000	\$ 26,500	\$ 51,500
Local funds	9,902	24,950	34,852
Local in-kind	<u>1,047</u>	<u>2,493</u>	<u>3,540</u>
Total revenue and support	<u>35,949</u>	<u>53,943</u>	<u>89,892</u>
 EXPENSES:			
Salary	27,570	33,497	61,067
Employee fringe	4,236	4,141	8,377
Health insurance	1,769	2,510	4,279
Accounting/consulting/legal	6	1,171	1,177
Interest	77	113	190
Consumable supplies	2,007	857	2,864
Dues and subscriptions	1,028	404	1,432
Insurance	1,019	889	1,908
Postage	409	1,248	1,657
Printing and publicity	842	1,688	2,530
Utilities	1,215	982	2,197
Telephone	647	1,033	1,680
In kind	1,047	2,493	3,540
Repairs	176	1,631	1,807
Miscellaneous	---	186	186
Travel & meetings	<u>1,746</u>	<u>3,932</u>	<u>5,678</u>
Total expenses	<u>43,794</u>	<u>56,775</u>	<u>100,569</u>
 EXCESS OF REVENUE AND SUPPORT OVER EXPENSES			
	(7,845)	(2,832)	(10,677)
 FUND BALANCES - Beginning of year			
	<u>---</u>	<u>22,907</u>	<u>22,907</u>
 FUND BALANCES - End of year			
	<u>\$ (7,845)</u>	<u>\$ 20,075</u>	<u>\$ 12,230</u>

See accompanying independent auditor's report.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
STATEMENT OF ACTIVITY
SICOG GENERAL FUNDS
Year Ended September 30, 2008

	<u>Total</u>		<u>Unapplied</u>	<u>Total</u>
	<u>Administrative</u>	<u>State</u>	<u>Funds</u>	
	<u>Contracts</u>	<u>Assistance</u>		
REVENUE AND SUPPORT:				
Federal grant	\$ 290,119	\$ ---	\$ ---	\$ 290,119
State grant	\$ ---	\$ 8,824	\$ 289,416	\$ 298,240
Other grant	---	---	47,805	47,805
Local funds	---	---	95,100	95,100
Interest income	---	---	1,601	1,601
Service income	160,111	---	7,354	167,465
Miscellaneous	---	---	19,206	19,206
Total revenue and support	<u>450,230</u>	<u>8,824</u>	<u>460,482</u>	<u>919,536</u>
EXPENSES:				
Salary	74,584	3,374	73,436	151,394
Employee fringe	10,721	426	18,160	29,307
Health insurance	3,802	230	6,361	10,393
Housing rehab	249,302	---	---	249,302
Emergency repairs	58,316	---	---	58,316
Housing trust	---	---	48,625	48,625
Accounting/consulting/legal	---	62	4,912	4,974
Depreciation	---	---	6,683	6,683
Consumable supplies	967	165	5,448	6,580
Dues and subscriptions	---	285	(91)	194
Repairs and maintenance	210	126	715	1,051
Insurance	2,501	120	2,531	5,152
Miscellaneous	652	---	7,043	7,695
Postage	272	205	61	538
Printing and publicity	1,520	192	3,095	4,807
Utilities	2,809	110	2,791	5,710
Telephone	371	52	1,097	1,520
Interest	3,097	10	188	3,295
Travel & meetings	4,040	688	---	4,728
Total expenses	<u>413,164</u>	<u>6,045</u>	<u>181,055</u>	<u>600,264</u>
EXCESS (DEFICIENCY) OF REVENUE AND SUPPORT OVER EXPENSES	37,066	2,779	279,427	319,272
FUND BALANCES - Beginning of year	<u>(31,533)</u>	<u>(6,056)</u>	<u>757,406</u>	<u>719,817</u>
FUND BALANCES - End of year	<u>\$ 5,533</u>	<u>\$ (3,277)</u>	<u>\$ 1,036,833</u>	<u>\$1,039,089</u>

See accompanying independent auditor's report

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

Federal Grantor/Pass-through Grantor/Program	CFDA Number	Project Number	Program Expenditures
<u>U.S. Department of Commerce</u>			
Direct programs:			
Economic Development Assistance			
Title IX Long-Term Economical Deterioration Revolving Loan Fund Grant	11.307	05-39-02265	\$ 736,055
Support for Planning Organizations	11.302	05-83-04402	<u>51,500</u>
Total U.S. Department of Commerce			<u>787,555</u>
<u>U.S. Department of Housing and Urban Development</u>			
Indirect program:			
Community development Block Grants	14.228	None	<u>290,119</u>
Total expenditures of federal awards			<u>\$ 1,077,674</u>

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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
Southern Iowa Council of Governments
Creston, Iowa

I have audited the combined financial statements of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. as of and for the year ended September 30, 2008 and have issued my report thereon dated May 22, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States Of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s internal control over financial reporting as a basis for designing my audit procedures for the purpose of expressing my opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected the Organization's internal control.

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

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

I noted certain other matters that I reported to management in a separate letter dated May 22, 2009.

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


Creston, Iowa
May 22, 2009

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

Board of Directors
Southern Iowa Council of Governments
Creston, Iowa

Compliance

I have audited the compliance of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. with the types of compliance described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended September 30, 2008. Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the required laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s management. My responsibility is to express an opinion on Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s compliance based on my audit.

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

In my opinion, Southern Iowa Council of Governments and Southern Iowa Development Group, Inc. complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008.

Internal Control Over Compliance

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

control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, I do not express such an opinion on the effectiveness of Southern Iowa Council of Governments and Southern Iowa Development Group, Inc.'s internal control over compliance.

A control deficiency in an entity'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 noncompliance 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 the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be detected by the entity's internal control.

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

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

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

Ted Willett CPA
Creston, Iowa
May 22, 2009

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
Schedule of Prior Year Audit Findings
Year Ended September 30, 2008

Prior Year Audit Findings

None.

SOUTHERN IOWA COUNCIL OF GOVERNMENTS AND AFFILIATE
SCHEDULE OF FINDINGS
Year Ended September 30, 2008

Summary of the Independent Auditor's Results

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

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

8. The threshold used for distinguishing between Type A and B programs was \$300,000
9. Southern Iowa Council of Governments and Southern Iowa Development Group, Inc, did not qualify as a low risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None